

FILING STATEMENT

**IN RESPECT OF
THE QUALIFYING TRANSACTION OF
COLSON CAPITAL CORP.**

**INVOLVING THE ACQUISITION OF
PATHWAY HEALTH CORP.**

May 31, 2021

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this filing statement.

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GLOSSARY

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Filing Statement, including the schedules hereto.

“100 Manitoba” means 10030712 Manitoba Ltd., a corporation incorporated under the *Corporations Act* (Manitoba).

“100 Manitoba Management Agreement” has the meaning ascribed to thereto under heading *“Information Concerning Pathway – General Development of the Business – 2021 – Joint Venture Corporation”*.

“196 Alberta” means 1964433 Alberta Ltd., a corporation incorporated under the ABCA.

“ABCA” means the *Business Corporations Act* (Alberta), as amended.

“Affiliate” means a company that is affiliated with another company as described below:

A company is an “Affiliate” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

A company is “controlled” by a person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and
- (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that person, or
- (b) an Affiliate of that person or an Affiliate of any company controlled by that person.

“Agents” means the Lead Agent and the other members of the syndicate of agents under the Subscription Receipt Offering.

“Arm’s Length Transaction” means a transaction which is not a Related Party Transaction.

“Articles of Amendment” means the filings that are required by the ABCA to be filed with the Registrar in order to effect the Name Change and the Share Consolidation.

“Asset and Share Purchase Agreement” means the asset and share purchase agreement dated January 18, 2021 entered into between Pathway and TCNC for the TCNC Assets.

“Associate” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him or her to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity;

- (d) in the case of a person who is an individual:
 - (i) that Person's spouse or child; or
 - (ii) any relative of the Person or of his or her spouse who has the same residence as that Person;
- but
- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSXV Rule Book with respect to that Member firm, Member corporation or holding company.

"Audit Committee" has the meaning ascribed thereto under *"Information Concerning the Resulting Issuer – Resulting Issuer Officers, Directors and Promoters – Committees"*.

"Bridge Notes" has the meaning ascribed thereto under the heading *"Information Concerning Pathway – General Development of the Business – History – 2021 – Bridge Notes"*.

"Broker Warrants" has the meaning ascribed thereto under the heading *"Subscription Receipt Offering"*.

"Business Day" means any day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta.

"CBCA" means the *Canada Business Corporations Act*, as amended.

"CBCA Director" means the director appointed pursuant to section 260 of the CBCA.

"CCCEP" means the Canadian Council on Continuing Education in Pharmacy.

"Certificate of Amendment" means the certificate of amendment to be issued by the Registrar pursuant to the provisions of the ABCA giving effect to the Name Change and the Share Consolidation.

"Colson" means Colson Capital Corp., a corporation incorporated under the ABCA.

"Colson Board" means the board of directors of Colson.

"Colson Common Shares" means the common shares in the capital of Colson.

"Colson IPO" means Colson's initial public offering of 6,000,000 Colson Common Shares at \$0.10 per Colson Common Share which was completed on September 7, 2017.

"Colson Options" means the options to purchase Colson Common Shares issued under the Colson Stock Option Plan.

"Colson Preferred Shares" means the preferred shares in the capital of Colson.

"Colson Shareholders" means the holders from time to time of Colson Common Shares.

"Colson Stock Option Plan" means the current stock option plan of Colson.

"Company" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"Contribution Agreements" has the meaning ascribed thereto under heading *"Information Concerning Pathway – General Development of the Business – 2021 – Joint Venture Corporation"*.

"Control Person" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding Voting Shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“**CPC**” means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities commissions in Canada in compliance with TSXV Policy 2.4 – *Capital Pool Companies*; and
- (b) in regard to which the Final Exchange Bulletin has not yet been issued.

“**CPC Escrow Shares**” means the Colson Common Shares subject to the CPC Seed Escrow Agreement.

“**CPC Seed Escrow Agreement**” means the escrow agreement dated June 9, 2017, among Colson, CST Trust Company, and certain shareholders of Colson with respect to an aggregate of 2,400,000 Colson Common Shares.

“**CPIC**” means Chief Peguis Investment Corporation, a corporation incorporated under the *Corporations Act* (Manitoba).

“**Cura-Can**” means Cura-Can Health Corp., a corporation incorporated under the CBCA.

“**Effective Date**” means the date on which closing of the Transaction occurs, which shall not be prior to the date on which all regulatory approvals have been obtained, including specifically the approvals of the Exchange and all conditions contained in the Share Exchange Agreement have been met or waived.

“**Effective Time**” means the effective time on the Effective Date as effected and evidenced by the Certificate of Amendment therefor.

“**EMR**” means electronic medical records.

“**Engagement Letter**” means the engagement letter dated September 14, 2020 between TCNC, Cura-Can, Colson and the Lead Agent in connection with the Subscription Receipt Offering.

“**Escrow Agent**” means AST Trust Company (Canada), as escrow agent under the Subscription Receipt Offering.

“**Escrow Release Conditions**” means the conditions that must be satisfied under the Subscription Receipt Agreement.

“**Escrow Release Date**” means the date on which the Escrow Release Conditions are met and the Escrowed Funds are released.

“**Escrow Release Time**” has the meaning ascribed thereto under heading “*Subscription Receipt Offering*”.

“**Escrowed Funds**” means the gross proceeds of the Subscription Receipt Offering less the Agents’ expenses of the Subscription Receipt Offering, a corporate finance fee payable to the Agents and half of the Agents’ Cash Commission.

“**Filing Statement**” means this filing statement of Colson dated May 31, 2021 filed with the TSXV pursuant to the TSXV requirements.

“**Final Exchange Bulletin**” means the TSXV bulletin issued following closing of a Qualifying Transaction and the submission of all required documentation and that evidences the final TSXV acceptance of a Qualifying Transaction.

“**Finder**” means Industrial Alliance Securities Inc., or its nominee, who assisted in facilitating the Qualifying Transaction and provided advisory services in connection therewith.

“**Finders Fee Agreement**” has the meaning ascribed thereto under heading “*Information Concerning Colson – General Development of the Business – History*”.

“**Hew Note**” has the meaning ascribed thereto under heading “*Information Concerning Pathway – Description of Securities – Convertible Notes – Hew Note*”.

“**Hold Value**” has the meaning ascribed thereto under heading “*Information Concerning Pathway – General Development of the Business – 2020 – Nature Medic Inc.*”.

“Howard” means The Howard Group Inc.

“Initial Listing Requirements” means the minimum financial, distribution and other standards that must be met by applicants seeking a listing on a particular tier of the TSXV.

“Initial Release” has the meaning ascribed to it under heading *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

“Insider” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of a Company that is an Insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“Lead Agent” means Canaccord Genuity Corp., as the lead agent and sole bookrunner under the Subscription Receipt Offering.

“Letter of Intent” means the letter agreement dated September 12, 2020 between Cura-Can and Colson, as amended by the amending agreement dated November 30, 2020 and the second amending agreement dated January 15, 2021, pursuant to which the parties agreed to effect the Transaction.

“LH” means licensed producer or seller under the *Access to Cannabis for Medical Purposes Regulations*.

“LP” means licensed producer under the *Access to Cannabis for Medical Purposes Regulations*.

“Manitoba USA” has the meaning ascribed thereto under heading *“Information Concerning Pathway – General Development of the Business – 2021 – Joint Venture Corporation”*.

“Material Adverse Change” or **“Material Adverse Effect”** means, with respect to any party, any change, event, effect, occurrence or state of facts that has, or could reasonably be expected to constitute a material adverse change in respect of or to have a material adverse effect on, the business, assets, liabilities (including contingent liabilities), conditions (financial or otherwise), prospects or results of operations of the party and its subsidiaries, as applicable, taken as a whole. The foregoing shall not include any change or effects attributable to: (a) changes relating to general economic, political or financial conditions; (b) the state of securities markets in general; (c) changes affecting the medical clinic industry, in general, which does not have a materially disproportionate effect on any party; or (d) the announcement of the Qualifying Transaction.

“MCMS” means the Medical Cannabis Management Program.

“MCMS Base” has the meaning ascribed to it under heading *“Information Concerning Pathway – General Development of the Business – 2020”*.

“MCTO” means management cease trade order.

“Medical Document” means a medical document (prescription) authorizing the use of cannabis for medical purposes.

“Member” has the meaning ascribed thereto in Rule A1.01 of the TSXV Rule Book.

“MI 61-101” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“NACM Note” has the meaning ascribed thereto under heading *“Information Concerning Pathway – General Development of the Business – 2020 – Medical Cannabis Management Program”*.

“**Name Change**” means the amendment to the articles of incorporation of Colson to effect the name change of Colson to “Pathway Health Corp.” or such other name the Colson Board may determine and is acceptable to the regulators.

“**NEO**” means a named executive officer as defined in NI 51-102.

“**New CPC Policy**” means Policy 2.4 of the TSXV Manual, as amended on January 1, 2021.

“**NHS**” means Natural Health Services Ltd., a corporation incorporated under the *Business Corporations Act* (Ontario).

“**NI 41-101**” means National Instrument 41-101 – *General Prospectus Requirements*.

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NMI Note**” has the meaning ascribed thereto under heading “*Information Concerning Pathway – General Development of the Business – History – 2020 – Nature Medic Inc.*”.

“**NOI Proceedings**” means a Notice of Intention to Make a Proposal pursuant to the *Bankruptcy and Insolvency Act*.

“**Non-Arm’s Length Party**” means:

- (a) in relation to a Company:
 - (i) a Promoter, officer, director, other Insider or Control Person of that Company and any Associates or Affiliates of any of such Persons; or
 - (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person; and
- (b) in relation to an individual, any Associate of the individual or any Company of which the individual is a Promoter, officer, director, Insider or Control Person.

“**Non-Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“**OOLab**” means Ontario Orthotic Lab Inc.

“**Outside Date**” has the meaning ascribed thereto under heading “*Subscription Receipt Offering*”.

“**Over-Allotment Option**” has the meaning ascribed to it under heading “*Subscription Receipt Offering*”.

“**Pathway**” means Pathway Health Corp., a corporation incorporated under the CBCA.

“**Pathway Board**” means the board of directors of Pathway.

“**Pathway Class B Shares**” means the Class B shares in the capital of Pathway.

“**Pathway Common Shares**” means the Class A shares in the capital of Pathway.

“**Pathway Preferred Shares**” means the Class C preferred shares, Class D preferred shares and Class E preferred shares in the capital of Pathway.

“**Pathway Shares**” means the Pathway Common Shares, the Pathway Class B Shares and the Pathway Preferred Shares.

“**Pathway Shareholders**” means holders of Pathway Shares.

“Pathway Unit” has the meaning ascribed to such term under heading *“Summary of Filing Statement – The Subscription Receipt Offering”*.

“Pathway Warrant” has the meaning ascribed to such term under heading *“Summary of Filing Statement – The Subscription Receipt Offering”*.

“Pathway Warrantholders” means the holders of Pathway Warrants.

“Person” means a company or an individual.

“PHTC” means Pathway Healthcare Technologies Corp., a corporation incorporated under the CBCA.

“PLP” means preferred license producer.

“Premier” means Premier Footworks Inc.

“Promoter” has the meaning ascribed thereto in Policy 1.1 of the TSXV Manual.

“Province Brands” means Honest Inc., dba Province Brands of Canada.

“PWPC” means Pathway Wellness Products Corp., a corporation incorporated under the CBCA.

“Qualifying Transaction” means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

“Redemption Date” has the meaning ascribed thereto under *“Information Concerning Pathway – Description of the Securities”*.

“Redemption Price” has the meaning ascribed thereto under *“Information Concerning Pathway – Description of the Securities”*.

“Registrar” means the Registrar of Corporations for the Province of Alberta appointed under section 263 of the ABCA.

“Related Party Transaction” has the meaning ascribed to that term under MI 61-101, and includes a related party transaction that is determined by the TSXV to be a Related Party Transaction. The TSXV may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm’s Length Parties, or where other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

“Resulting Issuer” means “Pathway Health Corp.”, which, following the Name Change, will be the name under which, following the completion of the Transaction, the entity formerly known as Colson Capital Corp. will be carrying on business.

“Resulting Issuer Board” means the board of directors of the Resulting Issuer as the same is constituted from time to time.

“Resulting Issuer Escrow Shares” has the meaning ascribed to it under the heading *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

“Resulting Issuer Shares” means the common shares in the capital of the Resulting Issuer upon completion of the Qualifying Transaction.

“Resulting Issuer Options” means options to acquire Resulting Issuer Shares pursuant to the Resulting Issuer Option Plan.

“Resulting Issuer Option Plan” means the stock option plan adopted by the Resulting Issuer upon closing of the Transaction. See *“Information Concerning the Resulting Issuer – Options to Purchase Securities”*.

“Resulting Issuer Replacement Warrants” means: (i) replacement common share purchase warrants of the Resulting Issuer on the same terms and conditions as the Pathway Warrants issuable upon conversion of the

Subscription Receipts; and (ii) replacement broker warrants of the Resulting Issuer on the same terms and conditions as the Broker Warrants.

“**Securities Laws**” means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to an Issuer.

“**Share Consolidation**” means the consolidation of Colson Common Shares on the basis of one post-consolidation Colson Common Share for every 2.941 pre-consolidation Colson Common Shares, to be effected prior to the closing of the Transaction.

“**Share Exchange Agreement**” means the share exchange agreement dated January 29, 2021 entered into between Pathway and Colson, as amended on April 30, 2021.

“**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the initial listing requirements of the Exchange.

“**Silver**” means 2563367 Ontario Limited o/a Silver Medical Group Centre for Pain Care, a corporation incorporated under the *Business Corporations Act* (Ontario).

“**Slawner Ortho**” means Slawner Ortho Ltée, a company incorporated under the *Business Corporations Act* (Québec).

“**Spark Software**” has the meaning ascribed to it under “*Information Concerning Pathway – General Development of the Business – Natural Health Services Ltd.*”.

“**Special Meeting of Colson Shareholders**” means the meeting held on March 31, 2021 whereby the Colson Shareholders approved matters required to give effect to the Transaction.

“**Subscription Receipt Agreement**” means the subscription receipt agreement dated March 16, 2021 among Pathway, the Lead Agent and the Escrow Agent governing the terms and conditions of the Subscription Receipts.

“**Subscription Receipt Offering**” has the meaning ascribed to it under the heading “*Summary of Filing Statement – The Subscription Receipt Offering*”.

“**Subscription Receipts**” has the meaning ascribed to it under the heading “*Summary of Filing Statement – The Subscription Receipt Offering*”.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

“**TCNC**” means The Clinic Network Canada Inc., a corporation incorporated under the CBCA.

“**TCNC Asset Acquisition**” has the meaning ascribed to it under the heading “*Information Concerning Pathway – General Development of the Business – History*”.

“**TCNC Assets**” or “**Purchased Assets**” means all or substantially all of the operating assets of TCNC, including the shares of Silver, 196 Alberta, 100 Manitoba, and Slawner Ortho.

“**Transaction**” means the acquisition by Colson of all of the issued and outstanding shares of Pathway pursuant to the Share Exchange Agreement, which will result in the reverse takeover of Colson by Pathway, and if completed, is intended to constitute the Qualifying Transaction of Colson in compliance with Policy 2.4 of the TSXV Manual and following which Pathway Shareholders will own the substantial majority of the shares of the Resulting Issuer.

“**Transfer Agent**” means AST Trust Company (Canada).

“**TSXV**” or “**Exchange**” means the TSX Venture Exchange.

“**TSXV Manual**” means the TSXV Corporate Finance Manual.

“**TSXV Rule Book**” means the TSXV Rule Book and Policies.

“Value Security Escrow Agreement” has the meaning ascribed to it under the heading *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

“Voting Share” means a security of an issuer that:

- (a) is not a debt security; and
- (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

“Warrant Indenture” means the warrant indenture dated May 31, 2021 between the Resulting Issuer and AST Trust Company (Canada), as warrant agent thereunder, governing the terms of the Resulting Issuer Replacement Warrants.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking statements or forward-looking information within the meaning of applicable securities laws which may include, but is not limited to, statements or information with respect to the anticipated benefits resulting from the Transaction, the timing and success of applications to obtain approvals required with respect to the Transaction and the nature of the business and operations of the Resulting Issuer following the completion of the Transaction. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Examples of such statements include: (a) the intention to complete the Transaction and the terms on which the Transaction is intended to be completed; (b) the description of the Resulting Issuer that assumes completion of the Transaction; and (c) in respect of the Resulting Issuer and Pathway, statements pertaining to proposed operations and method for funding thereof, expectations regarding the ability to raise capital and the ability to maintain all applicable licenses and permits for operations, treatment under governmental regulatory regimes and tax laws, capital expenditure programs and the timing and method of financing thereof and future development plans and status of assets, future growth and performance.

Forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Colson and Pathway or the Resulting Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and forward-looking information. Such factors include, but are not limited to: the risks and uncertainties involved in satisfying the conditions to close the Transaction; the difficulties associated with the nature of the Resulting Issuer's business and operations following the Transaction; the ability of Colson and Pathway to satisfy the requirements of the Exchange such that it will issue the Final Exchange Bulletin; the ability to obtain necessary financing; the economy generally; current and future stock prices; results of operations; availability of permits and licenses; market conditions; the regulatory and foreign environment; future capital and other expenditures (including the amount, nature and sources of funding thereof); competitive advantages; fluctuations in foreign currency exchange rates; business prospects and opportunities; transportation delays, accidents, labour disputes and other risks in the medical clinic industry; political developments; arbitrary changes in law; delays in obtaining governmental approvals and anticipated and unanticipated costs; as well as those factors discussed in the section entitled "*Risk Factors*" in this Filing Statement.

Although Colson has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements and forward-looking information contained herein are made as of the date of this Filing Statement, and Colson, Pathway and the Resulting Issuer disclaim any obligation to update any forward-looking statements or forward-looking information if these beliefs, estimates and opinions or circumstances should change, except as required by applicable law. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information due to the inherent uncertainty in them. All forward-looking statements and forward-looking information contained or incorporated by reference in this Filing Statement are qualified by this cautionary statement.

CURRENCY PRESENTATION

In this Filing Statement, all references to "\$" or "dollars" are to the lawful currency of Canada, unless otherwise indicated.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to Colson , Pathway and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Capitalized words and terms in this summary have the same meanings as set forth in the Glossary and elsewhere in this Filing Statement.

General

This Filing Statement has been prepared in accordance with the Policy 2.4 of the TSXV Manual and Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction* in connection with the Transaction. All information in this Filing Statement is given as of May 28, 2021, unless otherwise indicated.

Parties to the Transaction

Colson

Colson was incorporated pursuant to the provisions of the ABCA on September 4, 2014. Colson is a CPC, incorporated for the purposes of identifying and evaluating businesses or assets with a view to completing a Qualifying Transaction in accordance with Policy 2.4 of the TSXV Manual.

Colson completed its initial public offering under Policy 2.4 of the TSXV Manual on September 7, 2017, by way of a prospectus dated June 12, 2017. Pursuant to its initial public offering, Colson sold 6,000,000 Colson Common Shares at a price of \$0.10 per share, raising gross proceeds of \$600,000. Colson Common Shares commenced trading on the TSXV on September 11, 2017 under the trading symbol “COLS.P”.

Colson, as a CPC, was required to complete a Qualifying Transaction by September 7, 2019 and was not successful. As a result, trading in the Colson Common Shares, which was previously halted pending completion of the proposed business combination with Province Brands, was suspended on the TSXV on September 12, 2019, for failure to complete its Qualifying Transaction within 24 months of listing. The Colson Common Shares are listed for trading under the symbol “COLS.P”, however, trading in the Colson Common Shares remains suspended until completion of a Qualifying Transaction. See “*Information Concerning Colson – General Development of the Business*”.

Pathway

Pathway was incorporated pursuant to the provisions of the CBCA on September 18, 2020. Pathway is a privately owned company, whose principal business is the operation of medical clinics that offer multidisciplinary therapies to patients that suffer from chronic pain, including pharmaceutical and medical cannabis-related therapies. The clinical services are delivered in inter-disciplinary pain clinics operated by Pathway and through virtual care by physicians and other health care providers, who are trained in managing chronic pain through assessment and multi-modality treatment that includes minimally-invasive approaches, intravenous therapies, allied health methods and the prescription of medical cannabis which is supplied to the patient directly by Health Canada approved LPs.

As of the date hereof, Pathway is a wholly-owned subsidiary of TCNC. On January 18, 2021, Pathway entered into the Asset and Share Purchase Agreement with TCNC, a wholly-owned subsidiary of Cura-Can, for the purchase of the TCNC Assets. Since the TCNC Asset Acquisition, Pathway has continued to operate TCNC’s business. Unless otherwise indicated, references to the business of Pathway throughout this Filing Statement also includes the business of TCNC.

No public market exists for the Pathway Common Shares. See “*Information Concerning Pathway – Prior Sales*”.

The Transaction

Summary of the Transaction

Colson proposes to acquire 100% of the issued and outstanding Pathway Shares from Pathway Shareholders and Pathway Warrants from Pathway Warrantholders by way of the Share Exchange Agreement.

The Transaction is intended to result in a reverse take-over which, upon completion, will constitute a Qualifying Transaction for Colson under Policy 2.4 of the TSXV Manual and the Pathway Shareholders will own the substantial majority of the Resulting Issuer Shares.

The Share Exchange Agreement

On September 12, 2020, TCNC through its parent holding corporation, Cura-Can, entered into the Letter of Intent with Colson in connection with the Transaction. The Letter of Intent was subsequently amended on November 30, 2020 and January 15, 2021, respectively, to extend certain outside dates set out therein.

On January 29, 2021, Pathway entered into the Share Exchange Agreement with Colson, which superseded the Letter of Intent. Pursuant to the Share Exchange Agreement and subject to the fulfillment of certain conditions precedent, Colson will acquire all of the issued and outstanding Pathway Shares from the Pathway Shareholders, in consideration for the issuance of an aggregate of approximately 90,252,819 Colson Common Shares at a deemed price of \$0.50 per share, and will acquire all of the issued and outstanding Pathway Warrants and Broker Warrants for an aggregate of 15,896,228 Resulting Issuer Replacement Warrants.

The principal features of the Share Exchange Agreement are summarized as follows:

- (a) all of the issued and outstanding Pathway Shares and Pathway Warrants issuable pursuant to the conversion of the Subscription Receipts and Broker Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Replacement Warrants, as applicable;
- (b) Pathway will become a wholly-owned subsidiary of the Resulting Issuer;
- (c) the Resulting Issuer will carry on the business and activities of Pathway;
- (d) there will be an aggregate of 93,108,990 Resulting Issuer Shares, 15,896,228 Resulting Issuer Replacement Warrants and 4,200,000 Resulting Issuer Options issued and outstanding;
- (e) former Pathway Shareholders and together with the Lead Agent will hold approximately 67.3% of the Resulting Issuer Shares, former holders of the Subscription Receipts will hold approximately 29.6% of the Resulting Issuer Shares, and former Colson Shareholders will hold approximately 3.1% of the Resulting Issuer Shares;
- (f) the board of the Resulting Issuer shall be comprised of: Michael Steele, Ken Yoon, Alison Wright and Kenneth Howling; and
- (g) management of the Resulting Issuer shall be comprised of: Ken Yoon, Aura Balboa, Wayne Cockburn, Kim Wei, Renee John and Pram Sandhu.

As at the date of this Filing Statement, there are 8,400,000 Colson Common Shares, 840,000 Colson Options to acquire an equivalent number of Colson Common Shares, 1 Pathway Common Share, 10,093,484 Class C Preferred Shares of Pathway, 41,545,226 Class D Preferred Shares and 2,096,228 Broker Warrants of Pathway issued and outstanding. Upon satisfaction of the Escrow Release Conditions an additional 27,600,000 Pathway Common Shares and 13,800,000 Pathway Warrants to acquire an equivalent number of Pathway Common Shares will be issued and outstanding. Immediately prior to closing the Transaction, as a result of the conversion of certain debt instruments assigned to and assumed by Pathway pursuant to the TCNC Asset Acquisition, there will be 10,864,108 Class E

Preferred Shares of Pathway issued and outstanding. It is anticipated that the Transaction will become effective on or about May 31, 2021. See “*Information Concerning Colson – Description of the Qualifying Transaction*”.

Special Meeting of Colson Shareholders

At the Special Meeting of Colson Shareholders held on March 31, 2021, the Colson Shareholders approved a special resolution to amend its articles of incorporation to approve the Name Change and the Share Consolidation, and to rely on certain new provisions of Policy 2.4 of the TSXV Manual that came into force on January 1, 2021 (the “**New CPC Policy**”). In connection therewith, it is anticipated that Colson will file Articles of Amendment to give effect to the Name Change and Share Consolidation, and submit an application to the TSXV with respect to the New CPC Policy.

The Subscription Receipt Offering

In connection with the Transaction, on March 16, 2021 Pathway completed, through the Agents, a brokered private placement (the “**Subscription Receipt Offering**”) for gross proceeds of \$13,800,000. Pursuant to the Subscription Receipt Offering, Pathway issued an aggregate of 27,600,000 Subscription Receipts at a price of \$0.50 per Subscription Receipt. Each Subscription Receipt shall be exchanged, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit of Pathway (each, a “**Pathway Unit**”). Each Pathway Unit shall consist of one Pathway Common Share and one-half of one common share purchase warrant (each whole warrant, a “**Pathway Warrant**”). Each Pathway Warrant is exercisable for one Pathway Common Share at a price of \$0.75 for a period of 24 months from the Escrow Release Date. The Subscription Receipts shall automatically be exchanged into Pathway Units upon the satisfaction of the Escrow Release Conditions, all in accordance with the terms and conditions of the Subscription Receipt Agreement. See “*Subscription Receipt Offering*”.

Information about the Resulting Issuer

Following completion of the Transaction, it is expected that the Resulting Issuer will carry on the business of Pathway. It is anticipated that the Resulting Issuer will change its name from “Colson Capital Corp.” to “Pathway Health Corp.”. The Resulting Issuer’s head office will be located at 10 Four Seasons Place, 5th Floor, Etobicoke, Ontario M9B 6H7 and its registered office will be located at Bankers Court, 15th Floor, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8.

Upon completion of the Transaction, there will be approximately 93,108,990 Resulting Issuer Shares, 15,896,228 Resulting Issuer Replacement Warrants and 4,200,000 Resulting Issuer Options issued and outstanding:

- (a) former Pathway Shareholders (including subscribers under the Subscription Receipt Offering) will hold an aggregate of 90,252,819 Resulting Issuer Shares, representing approximately 96.9% of the then issued and outstanding Resulting Issuer Shares (on an undiluted basis);
- (b) former holders of Pathway Warrants and Broker Warrants will hold an aggregate of 15,896,228 Resulting Issuer Replacement Warrants, exercisable into an equivalent number of Resulting Issuer Shares representing approximately 14.0% of the then issued and outstanding Resulting Issuer Shares (on a fully diluted basis);
- (c) former Colson Shareholders will hold an aggregate of 2,856,171 Resulting Issuer Shares, representing approximately 2.5% of the then issued and outstanding Resulting Issuer Shares (on a fully diluted basis); and
- (d) Former Pathway Option holders will hold an aggregate of 4,200,000 Resulting Issuer Replacement Options, exercisable into an equivalent number of Resulting Issuer Shares representing approximately 3.7% of the then issued and outstanding Resulting Issuer Shares (on a fully diluted basis).

See “*Information Concerning the Resulting Issuer*”.

Estimated Funds Available

The following table sets forth, as of the date of this Filing Statement, the funds anticipated to be available to the Resulting Issuer on a consolidated basis, assuming the Effective Date of the Transaction is April 30, 2021:

Estimated Funds Available	Amount (\$)
<i>Pro forma</i> consolidated working capital ⁽¹⁾	(\$199,000)
Net proceeds raised from the Subscription Receipt Offering ⁽²⁾	\$12,580,886
Net proceeds raised from the Bridge Notes ⁽³⁾	\$750,000
Total available funds:	\$13,131,886

Notes:

- (1) Working capital estimate excludes related party payables, lease liability and assumes liability instruments acquired as part of the TCNC Asset Acquisition have been converted.
- (2) Reflects the net proceeds from the Subscription Receipt Offering after deducting the cash commission to the Agents of \$1,048,114, the Agents expenses of \$16,000, the cash corporate finance fee of \$75,000, and estimated legal fees of \$80,000;
- (3) Reflects the net proceeds from the Bridge Notes after deducting the 10% loan fee.

Principal Use of Available Funds

The following table sets out the principal use of the available funds by the Resulting Issuer after giving effect to the Transaction. The amounts shown in the table below are estimates only and are based on the information available as of the date of this Filing Statement:

Principal Uses of Available Funds	Following Completion of the Transaction
Expenses related to Qualifying Transaction ⁽¹⁾	\$400,000
Repayment of related party promissory note ⁽²⁾	\$4,855,301
Investment in capital assets and expansion of clinics	\$2,080,000
Investment in potential acquisitions and product and service expansion ⁽³⁾	\$1,000,000
Investment in technology (i.e. virtual care platforms, telemedicine etc.)	\$300,000
Develop, brand and distribute specialized health products	\$650,000
Establish and/or expand pharmacy distribution channels	\$500,000
General and administrative expenses	\$1,055,901
Repayment of Bridge Notes	\$845,625
Unallocated working capital	\$1,445,059
Total uses of funds:	\$13,131,886

Notes:

- (1) Includes legal, audit, regulatory, commission and other expenses related to the completion of the Transaction.
- (2) Repayment of the non-interest bearing promissory note issued to TCNC as part of the Asset and Share Purchase Agreement.
- (3) Includes expenses related to executing the Resulting Issuer's growth strategy to expand its service and product offerings.

Selected Pro Forma Financial Information

The following table sets out selected financial information for Colson and Pathway and selected unaudited *pro forma* consolidated financial information for the Resulting Issuer, after giving effect to the Transaction and certain other adjustments. This financial information should be read in conjunction with the financial statements and reports thereon included in this Filing Statement attached hereto as schedules, being:

- audited annual financial statements of Colson for the years ended March 31, 2020, 2019 and 2018 and related management's discussion and analysis (see Schedules G and H);
- unaudited interim financial statements of Colson for the periods ended December 31, 2020 and related management's discussion and analysis (see Schedules I and J);
- audited financial statements of Pathway for the period between September 18, 2020 and December 30, 2020 and related management's discussion and analysis (see Schedules E and F);
- audited annual financial statements of TCNC for the years ended December 31, 2020, 2019 and 2018 and related management's discussion and analysis (see Schedules A, B, C and D); and
- *pro forma* financial statements of the Resulting Issuer (see Schedule K).

The information provided in the table below is derived from the financial statements set forth above:

Balance Sheet Data	Colson as at December 31, 2020 (unaudited) (\$)	TCNC as at December 31, 2020 (unaudited) (\$)	Pathway as at December 31, 2020 (unaudited) (\$)	Adjustments (\$)	Resulting Issuer as at December 31, 2020 (unaudited) (\$)
Current assets	372,407	2,071,356	35,359	8,292,585	10,771,707
Other assets	0	5,626,813	0	(179,895)	5,446,918
Total assets:	372,407	7,698,169	35,359	8,112,690	16,218,625
Current liabilities	8,940	23,424,152	409,864	(21,384,873)	2,458,083
Other liabilities	0	2,733,403	0	(78,390)	2,655,013
Total liabilities:	8,940	26,157,555	409,864	(21,463,263)	5,113,096
Total shareholders' equity: (Deficiency)	363,467	(18,459,386)	(374,505)	29,575,953	11,105,529
Total liabilities and equity:	372,407	7,698,169	35,359	8,112,690	16,218,625

See "Information Concerning Colson – Selected Consolidated Financial Information and Management's Discussion and Analysis – Selected Financial Information"; Information Concerning Pathway – Selected Consolidated Financial Information and Management's Discussion and Analysis – Selected Financial Information"; and "Information Concerning the Resulting Issuer – Selected Pro Forma Financial Information".

Listing and Market Price of Colson Common Shares and Pathway Common Shares

Trading in the Colson Common Shares, which was previously halted pending completion of the proposed business combination with Province Brands, was suspended on the TSXV on June 5, 2018, and remain suspended as at the date hereof. The Colson Common Shares are listed for trading under the symbol "COLS.P", however, trading in the Colson Common Shares remains suspended until completion of a Qualifying Transaction. The market price of the Colson Common Shares on April 25, 2018, being the last day the Colson Common Shares were available for trading on the TSXV, was \$0.095 per share. See "Information Concerning Colson Capital – Exchange Price".

No public market exists for the Pathway Common Shares. See "Information Concerning Pathway – Prior Sales".

Following completion of the Transaction, the Resulting Issuer Shares are expected to be listed on the TSXV under the trading symbol "PHC".

Changes to the Board and Management

The current directors and officers of Colson are Michael Edmond Doyle (CEO, Director), Murray Moore (CFO, Corporate Secretary, and Director), John Prince (Director), Arthur Sumner (Director), Michael Khan (Director), Barry Schloss (Director), James Varanese (Director), and Kyle Detwiler (Director). As of the Effective Time, all these individuals will resign as directors and the proposed directors and officers of the Resulting Issuer following completion of the Transaction will be as follows:

Michael Steele	Chairman and Director
Kenneth Howling	Director
Alison Wright	Director
Ken Yoon	Chief Executive Officer, Corporate Secretary and Director
Wayne Cockburn	President
Aura Balboa	Chief Financial Officer
Kim Wei	Chief Commercial Officer
Pram Sandhu	Vice President, Pharmacy Programs and Regulatory Affairs
Renee John	Vice President, Clinic Operations

See “*Information Concerning the Resulting Issuer – Management*”.

Interests of Insiders, Promoters and Control Persons

Upon completion of the Transaction it is anticipated that TCNC will be an Insider of the Resulting Issuer by virtue of holding more than 10% of the issued and outstanding Resulting Issuer Shares. Other than as disclosed below, Colson does not anticipate any additional Insiders, Promoters or Control Persons and no Associates and Affiliates thereof being formed on completion of the Transaction:

Insider, Promoter or Control Person (including Associates and Affiliates)	Position	Number and Percentage of Colson Common Shares or Pathway Common Shares Prior to the Transaction	Number and Percentage of Resulting Issuer Shares upon completion of the Transaction
TCNC ⁽¹⁾⁽²⁾⁽³⁾	Control Person	100%	55.5%

Notes:

- (1) TCNC is a wholly-owned subsidiary of Cura-Can.
- (2) Avonlea-Drewry Holdings Inc., a company of which Mr. Michael Steele (a proposed director of the Resulting Issuer) is a director and officer, owns or controls, 10,456,168 Class A shares of Cura-Can representing 40.1% of the issued and outstanding shares of Cura-Can.
- (3) Mr. Kim Wei, a proposed NEO of the Resulting Issuer, owns or controls, directly or indirectly, 2,649,641 Class A shares of Cura-Can representing 10.2% of the issued and outstanding shares of Cura-Can.

No Insider, Promoter or Control Person of Colson and their respective Associates and Affiliates (before giving effect to the Transaction) have any interest in Pathway.

Conflicts of Interest

Some of the proposed directors and officers of the Resulting Issuer are also directors, officers and/or Promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they are bound by the provisions of the ABCA to act at all times in good faith in the interest of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. To the best of their knowledge, the proposed management of the Resulting Issuer is not aware of the existence of any conflicts of interest between any of the directors and officers as of the date of this Filing Statement, other than as disclosed herein. See “*Risk Factors – Risks Relating to the Resulting Issuer – Conflicts of Interest*”.

Sponsorship and Agent Relationship

Sponsorship for the Transaction is required under Policy 2.4 of the TSXV Manual, unless an exemption from the sponsorship requirement is granted. Colson has applied for an exemption from the sponsorship requirement on the basis that Pathway is conducting a concurrent brokered financing of at least \$500,000 by way of the Subscription Receipt Offering.

Interests of Experts

No person, whose profession or business gives authority to a statement made by the Person and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report of valuation described or included in this Filing Statement, holds a beneficial interest, directly or indirectly, in property of Colson, Pathway, or any of their respective Associates or Affiliates, and no such person is expected to be elected, appointed or employed as a director, senior officer, or employee of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such Person is a Promoter of Colson or Pathway, or any of their respective Associates or Affiliates.

Not a Non-Arm’s Length Qualifying Transaction

The Transaction is not a Non-Arm’s Length Qualifying Transaction and as such, Colson Shareholders are not required to approve the Transaction.

Conditional Listing Approval

The TSXV has conditionally accepted the Transaction subject to Colson and Pathway fulfilling all of the requirements of the TSXV.

Risk Factors

The Transaction is subject to a number of risk factors inherent to similar transactions of this nature. Additional risks and uncertainties may also adversely affect the Resulting Issuer Shares and/or the business of the Resulting Issuer following completion of the Transaction. See “*Risk Factors*” for a detailed summary of the risk factors.

INFORMATION CONCERNING COLSON

CORPORATE STRUCTURE

Name and Incorporation

Colson was incorporated on September 14, 2014 by certificate of incorporation issued pursuant to the provisions of the ABCA, under the name “Colson Capital Corp.”. On April 28, 2017, the articles of incorporation were amended to remove the private company restrictions set forth therein.

The head office and registered office of Colson are located at 1900, 520 – 3rd Street SW, Calgary, Alberta T2P 0R3.

Intercorporate Relationships

As of the date of this Filing Statement, Colson has no direct or indirect subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Colson is classified as a CPC, as defined in Policy 2.4 of the TSXV Manual. Colson has no assets other than cash. Colson’s principal business is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses with a view to completing a Qualifying Transaction and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. The Transaction will be Colson’s Qualifying Transaction.

Colson initially issued 2,400,000 Colson Common Shares for an amount of \$120,000. On June 14, 2017, the prospectus for an Initial Public Offering (“**Colson IPO**”) of Colson Common Shares was received by the regulatory authorities. The Colson IPO closed on September 7, 2017, and a total of 6,000,000 Colson Common Shares were issued at a price of \$0.10 per share, raising gross proceeds of \$600,000. Colson Common Shares commenced trading on the TSXV on September 11, 2017 under the symbol “COLS.P”.

During the year ended March 31, 2019, Colson signed a letter of intent with respect to a proposed business combination with Honest Inc., dba Province Brands of Canada (“**Province Brands**”) and a financing through a brokered private placement. Colson had agreed to extend the terms of the letter of intent in various incremental periods to allow Province Brands to satisfy the terms of the agreement. As part of the transaction, Province Brands was seeking to complete a private placement of its common shares for gross proceeds of up to \$30,000,000 and convert each issued and outstanding preferred share and convertible note into common shares of Province Brands. Province Brands was unable to fulfill its commitment in closing the private placement in the period of the original letter of intent or during the various extensions with the latest ending on August 31, 2019. During the quarter ended September 30, 2019, both parties agreed to not extend the letter of intent for another term.

Colson, as a CPC, was required to complete a Qualifying Transaction by September 7, 2019 and was not successful. As a result, trading in the Colson Common Shares, which was previously halted pending completion of the proposed business combination with Province Brands, was suspended on the TSXV on September 12, 2019, for failure to complete its Qualifying Transaction within 24 months of listing. The Colson Common Shares are listed for trading under the symbol “COLS.P”, however, trading in the Colson Common Shares remains suspended until completion of a Qualifying Transaction.

On September 12, 2020, Colson entered into a letter of intent, as amended by an amending agreement dated November 30, 2020 and a second amending agreement dated January 15, 2021 (the “**Letter of Intent**”) with TCNC, through its parent holding corporation, Cura-Can, in connection with the Transaction. Colson entered into a Finder’s Fee Agreement with Industrial Alliance Securities Inc. (the “**Finder**”) on September 10, 2020 (the “**Finders Fee Agreement**”) confirming that the Finder had introduced Colson to TCNC and if a transaction is consummated between Colson and TCNC (including between either of Colson’s or TCNC’s principals, directors, officers, affiliates, parents,

subsidiaries, assigns, employees, contractors and/or other related parties) then a finder's fee of \$71,400 will be payable by Colson to the Finder. On January 29, 2021, Pathway entered into the Share Exchange Agreement with Colson, which superseded the Letter of Intent. Pursuant to the Share Exchange Agreement and subject to the fulfillment of certain conditions precedent, Colson will acquire all of the issued and outstanding Pathway Shares and Pathway Warrants from the Pathway Shareholders and Pathway Warrantholders. The Transaction will be Colson's Qualifying Transaction. For further information, see *"Information Concerning Colson – Description of the Qualifying Transaction"*.

Further to the TSXV Bulletin dated August 8, 2019, trading in the Colson Common Shares, which was previously halted on June 5, 2018, was suspended on the TSXV on September 12, 2019, and remain suspended as of the date hereof. The market price of the Colson Common Shares on April 25, 2018, being the last day the Colson Common Shares were available for trading, was \$0.095 per share.

Description of the Qualifying Transaction

The following description of the material terms and conditions of the Share Exchange Agreement is a summary only and is qualified in its entirety by reference to the terms of the Share Exchange Agreement. The full text of the Share Exchange Agreement is available under Colson's profile on SEDAR at www.SEDAR.com.

The Share Exchange Agreement

On January 29, 2021, Pathway entered into the Share Exchange Agreement with Colson, which superseded the Letter of Intent. Pursuant to the Share Exchange Agreement and subject to the fulfillment of certain conditions precedent, Colson will acquire all of the issued and outstanding Pathway Shares, from the Pathway Shareholders, in consideration for the issuance of an aggregate of approximately 90,252,819 Colson Common Shares at a deemed price of \$0.50 per share, and will acquire all of the issued and outstanding Pathway Warrants and Broker Warrants for an aggregate of 15,896,228 Resulting Issuer Replacement Warrants.

Under the terms of the Share Exchange Agreement, and provided the conditions contained therein have either been satisfied or waived, Colson will acquire all of the issued and outstanding securities of Pathway. The Transaction is intended to result in a reverse take-over of Colson by the Pathway Shareholders which, upon completion, will constitute a Qualifying Transaction for Colson under Policy 2.4 of the TSXV Manual and the Pathway Shareholders will own the substantial majority of the Resulting Issuer Shares. The Transaction is not a Non-Arm's Length Qualifying Transaction and as such, Colson Shareholders are not required to approve the Transaction.

The effect of the transactions contemplated by the Share Exchange Agreement are summarized as follows:

- (a) all of the issued and outstanding Pathway Shares and Pathway Warrants issuable pursuant to the conversion of the Subscription Receipts and Broker Warrants will be exchanged for Resulting Issuer Shares and Resulting Issuer Replacement Warrants, on a one-for-one basis, as applicable;
- (b) Pathway will become a wholly-owned subsidiary of the Resulting Issuer;
- (c) the Resulting Issuer will carry on the business and activities of Pathway;
- (d) there will be an aggregate of 93,108,990 Resulting Issuer Shares, 15,896,228 Resulting Issuer Replacement Warrants and 4,200,000 Resulting Issuer Options issued and outstanding;
- (e) former Pathway Shareholders together with the Lead Agent will hold approximately 67.3% of the Resulting Issuer Shares, former holders of the Subscription Receipts will hold approximately 29.6% of the Resulting Issuer Shares, and former Colson Shareholders will hold approximately 3.1% of the Resulting Issuer Shares;
- (f) the board of the Resulting Issuer shall be comprised of: Michael Steele, Ken Yoon, Alison Wright and Kenneth Howling; and

- (g) management of the Resulting Issuer shall be comprised of: Ken Yoon, Aura Balboa, Wayne Cockburn, Kim Wei, Renee John and Pram Sandhu.

Representations, Warranties and Covenants

The Share Exchange Agreement contains customary representations and warranties of each of Pathway and Colson relating to, among other things, their respective organization, capitalization, qualification, operations, compliance with laws and regulations and other matters, including their authority to enter into the Share Exchange Agreement and to consummate the Transaction. Pursuant to the Share Exchange Agreement Pathway and Colson have each agreed to advise the other party of material changes and to use their commercially reasonable efforts to obtain all regulatory and other consent, waivers and approvals required for the consummation of the proposed Transaction. Additionally, each of the parties has covenanted (among other things) to maintain the respective businesses and not take certain actions outside the ordinary course of business and consistent with past practice until completion of the proposed Transaction.

Conditions

The Share Exchange Agreement contains a number of conditions precedent to the obligations of Pathway and Colson thereunder. Unless all such conditions are either satisfied or waived by the party or parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the proposed Transaction will not proceed. There is no assurance that the conditions will be satisfied on a timely basis, or at all. The conditions precedent contained in the Share Exchange Agreement include, without limitation, that:

- (a) the Resulting Issuer Shares shall have been conditionally approved for listing on the TSXV, and the Transaction shall have been conditionally approved as a Qualifying Transaction by the TSXV;
- (b) Pathway shall have obtained the consent of each of the new Pathway Shareholders under the Subscription Receipt Offering to deliver consent agreements as contemplated by the Share Exchange Agreement;
- (c) Colson shall have obtained shareholder consent for matters relating to the Transaction, such consents to be conditional upon completion of the Transaction, including with respect to: the Share Consolidation, the Name Change, fixing the number of directors and appointing the directors proposed by Pathway, appointment of Grant Thornton LLP as auditor, approval of a stock option plan, removal of the consequences of Colson failing to complete a Qualifying Transaction within 24 months of listing and amendment of the escrow terms for the CPC Escrow Shares;
- (d) the Subscription Receipt Offering shall have been completed, and all of the Escrow Release Conditions other than the closing of the Transaction shall have been satisfied;
- (e) the Assumed Indebtedness (including any accrued and unpaid interest thereon) shall have been exchanged for Class E Preferred Shares of Pathway;
- (f) Pathway shall have assumed all convertible debt obligations pursuant to the Asset and Share Purchase Agreement and such debt obligations shall have been converted to shares of Pathway;
- (g) the representations of the parties shall have been true and correct as of the date of the Share Exchange Agreement and as of the time of closing the Transaction in all material respects;
- (h) all of the terms, covenants and conditions of the Share Exchange Agreement shall have been complied with by the parties;
- (i) there shall not have occurred a material adverse effect with respect to the business or assets of the other party;

- (j) there shall be no action taken by any governmental authority, and no legislation introduced or tabled, which would materially adversely affect the Transaction or impose any condition or restriction on the business of the Resulting Issuer which would materially adversely impact the economic or business benefits of the Transaction;
- (k) all required consents and approvals have been obtained by the applicable party; and
- (l) the closing of the Transaction shall have occurred prior to May 31, 2021.

Termination of the Share Exchange Agreement

The Share Exchange Agreement may be terminated at any time prior to the closing of the Transaction:

- (a) by mutual written consent of Colson and Pathway;
- (b) by either Pathway or Colson if the Transaction shall not have been consummated on or prior to May 31, 2021;
- (c) by Colson, if there has been a material breach by Pathway or its shareholders of any representation, warranty, covenant or agreement set forth in the Share Exchange Agreement which breach would result in the failure to satisfy one or more of the conditions in the Share Exchange Agreement and which remains uncured within ten (10) business days after written notice thereof is given by Colson;
- (d) by Pathway if there has been a material breach by Colson of any representation, warranty, covenant or agreement set forth in the Share Exchange Agreement which breach would result in the failure to satisfy one or more of the conditions set forth in the Share Exchange Agreement and which remains uncured within ten (10) business days after written notice thereof is given by Pathway;
- (e) by Colson or Pathway, if Pathway or Colson completes or enters into a definitive agreement to effect a transaction resulting in a merger, amalgamation, arrangement, take-over bid, or other business combination, or an acquisition of material assets of such party; and
- (f) by any party, if any permanent injunction or other order of a court or other competent authority preventing the Transaction shall have become final and non-appealable.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

Since incorporation, Colson has incurred costs in carrying out the Colson IPO, as well as in seeking, evaluating and negotiating potential Qualifying Transactions and in meeting the disclosure obligations imposed upon it as a reporting issuer in the provinces of Alberta, British Columbia, and Ontario.

The following table sets out certain selected financial information of Colson in summary form for the fiscal years ended March 31, 2018, March 31, 2019 and March 31, 2020, and for the nine-months ended December 31, 2020. Copies of Colson's annual and interim financial statements are attached hereto as Schedules G and I, respectively, and are also available at www.SEDAR.com under Colson's profile.

	Nine-months ended December 31, 2020 (unaudited)	Year ended March 31, 2020 (audited)	Year ended March 31, 2019 (audited)	Year ended March 31, 2018 (audited)	For the period from incorporation (September 4, 2014) to March 31, 2017 (audited)
Total Revenue	Nil	Nil	Nil	Nil	Nil

Total Expenses	\$48,177	\$38,561	\$83,539	\$105,104	Nil
Net income (loss)	(\$48,177)	(\$38,561)	(\$83,539)	(\$105,104)	Nil

Management's Discussion and Analysis

Colson's MD&A for the financial years ended March 31, 2020, 2019, and 2018 and the nine-months ended December 31, 2020 are attached hereto as Schedules H and J, respectively, and are also available at www.SEDAR.com under Colson's profile. The MD&A should be read in conjunction with this Filing Statement.

Certain information included in Colson's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect actual results may vary significantly from those expected. See "Cautionary Note Regarding Forward-Looking Statements" for further details.

DESCRIPTION OF SECURITIES

The authorized capital of Colson consists of an unlimited number of Colson Common Shares and an unlimited number of Colson Preferred Shares. As of the date of this Filing Statement, there are 8,400,000 Colson Common Shares issued and outstanding and 840,000 Colson Common Shares reserved for issuance pursuant to the Colson Stock Option Plan.

Colson Common Shares

The holders of Colson Common Shares are entitled to receive notice of and attend all meetings of the Colson Shareholders and are entitled to one vote in respect of each Colson Common Share held at such meetings. Colson Shareholders are entitled to: (a) receive dividends if, as and when declared by the Colson Board; and (b) in the event of dissolution of Colson, Colson Shareholders are entitled to share rateably in such assets of Colson as are distributable to the holders of Colson Common Shares.

Colson Preferred Shares

The holders of Colson Preferred Shares are entitled to, in priority to the holders of Colson Common Shares and any other shares ranking junior to the Colson Preferred Shares: (a) to be paid rateably with holders of Colson Preferred Shares the amount of accumulated dividends specified as being payable preferentially to such holders; and (b) in the event of any liquidation, dissolution or winding-up of Colson, to share rateably in such assets of Colson as are distributable to the holders of Colson Preferred Shares.

STOCK OPTION PLAN AND OPTIONS GRANTED

Colson maintains an incentive stock option plan (the "Colson Stock Option Plan") which provides that the Colson Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase Colson Common Shares ("Colson Options") provided that the number of Colson Common Shares reserved for issuance does not exceed 10% of the then issued and outstanding Colson Common Shares. Colson Options are exercisable for a period of up to ten years from the date of grant.

Further details regarding the Colson Stock Option Plan are set forth below:

- (a) no single individual will be granted Colson Options to purchase a number of Colson Common Shares equalling more than 5% of the issued Colson Common Shares in any 12 month period unless Colson has

obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements;

- (b) Colson Options will not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Colson Common Shares in any 12 month period to anyone consultant of Colson (or any of its subsidiaries);
- (c) Colson Options will not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Colson Common Shares in any twelve month period to persons employed to provide investor relation activities;
- (d) Colson Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than $\frac{1}{4}$ of the options vesting in any 3 month period; and
- (e) as required by the CPC Policy, as long as Colson is a CPC, it shall not grant options to any person providing investor relations activities, promotional or market-making services.

As of the date of this Filing Statement, there are 840,000 Colson Options issued and outstanding. Each Colson Option may be exercised to acquire one Colson Common Share at a price of \$0.10 per share. The Colson Options expire upon the earlier of: (a) 12 months after the completion of the Transaction; and (b) 90 days following cessation of the optionee's position with Colson, provided that if the cessation of office, employment, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The Colson Options and any Colson Common Shares acquired pursuant to the exercise of Colson Options under the Colson Stock Option Plan prior to completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See *"Information Concerning the Resulting Issuer – Escrowed Securities"*.

A copy of the Colson Stock Option Plan is available at www.SEDAR.com under Colson's profile.

Name of Optionee	Number of Colson Common Shares Reserved Under Option	Exercise Price	Expiry Date
Michael Doyle	140,000	\$0.10	5 years from grant
Murray Moore	105,000	\$0.10	5 years from grant
John Prince	105,000	\$0.10	5 years from grant
Arthur Sumner	105,000	\$0.10	5 years from grant
Michael Kahn	105,000	\$0.10	5 years from grant
Barry Schloss	105,000	\$0.10	5 years from grant
James Varanese	35,000	\$0.10	5 years from grant
Kyle Detwiler	140,000	\$0.10	5 years from grant
Total:	840,000		

PRIOR SALES

There has been no issuance or sale of Colson Common Shares within the 12 months prior to the date of this Filing Statement.

EXCHANGE PRICE

On April 25, 2018, being the last day the Colson Common Shares were available for trading, the market price of the Colson Common Shares was \$0.095 per share. The Colson Common Shares were suspended from trading on the TSXV on September 12, 2019, and remain suspended as of the date hereof. The Colson Common Shares are listed

for trading under symbol, “COLS.P”, however trading in the Colson Common Shares remains suspended pending completion of the Transaction.

INTERESTS OF INSIDERS, PROMOTERS AND CONTROL PERSONS

No Insider, Promoter or Control Person of Colson and their respective Associates and Affiliates (before giving effect to the Transaction) have any interest in Pathway.

NOT A NON-ARM’S LENGTH QUALIFYING TRANSACTION

The Transaction is not a Non-Arm’s Length Qualifying Transaction, and as such, Colson Shareholders are not required to approve the Transaction.

LEGAL PROCEEDINGS

Colson has not been, and is not presently involved in, any legal proceedings and insofar as it is aware, no such proceedings are contemplated.

AUDITOR, TRANSFER AGENTS AND REGISTRARS

Auditor

The auditor of Colson is MNP LLP, Chartered Professional Accountants, located at 1500, 640 – 5th Avenue SW, Calgary, Alberta T2P 3G4.

Transfer Agent and Registrar

Colson’s transfer agent and registrar is AST Trust Company (Canada), located at 600, 333 – 7th Avenue SW, Calgary, Alberta T2P 2Z1.

MATERIAL CONTRACTS

Colson has not entered into any material contracts and is not expected to enter into any material contracts prior to completion of the Transaction, other than:

- (a) the Finders Fee Agreement (see “*Information Concerning Colson – General Development of the Business – History*”);
- (b) the agency agreement dated June 12, 2017 between Colson and Industrial Alliance Securities Inc. in connection with the Colson IPO;
- (c) the Transfer Agent, Registrar and Disbursing Agent Agreement dated April 27, 2017 between Colson and AST Trust Company (Canada);
- (d) the Escrow Agreement dated June 9, 2017 among Colson, AST Trust Company (Canada), as escrow agent, and the founding shareholders of Colson;
- (e) the Share Exchange Agreement (see “*Information Concerning Colson – Description of the Qualifying Transaction*”);
- (f) the Agency Agreement in connection with the Subscription Receipt Financing (see section “*Subscription Receipt Financing*” below);

- (g) the Subscription Receipt Agreement (see “*Subscription Receipt Financing*” below); and
- (h) the Warrant Indenture.

Copies of the foregoing agreements are available at www.SEDAR.com under Colson’s profile.

INFORMATION CONCERNING PATHWAY

CORPORATE STRUCTURE

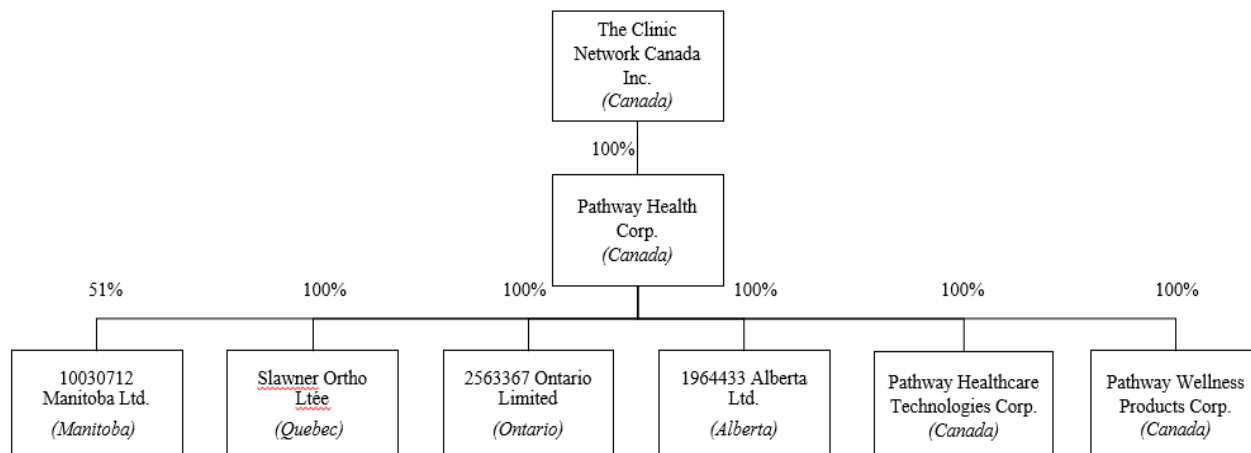
Name and Incorporation

Pathway was incorporated on September 18, 2020 by certificate of incorporation issued pursuant to the provisions of the CBCA, under the name “12352877 Canada Ltd.”. On October 27, 2020, 12352877 Canada Ltd. amended its articles to change its name to “Pathway Health Corp.”. On December 11, 2020, Pathway amended its articles to amend the terms of Class C Preferred Shares and Class D Preferred Shares and to create Class E Preferred Shares.

Pathway’s registered office is located at Bankers Court, 15th Floor, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8 and its head office is located at 10 Four Seasons Place, 5th Floor, Etobicoke, Ontario M9B 6H7.

Intercorporate Relationships

As of the date hereof, Pathway is a wholly-owned subsidiary of TCNC. The following organizational chart demonstrates the corporate structure of Pathway as of the date of this Filing Statement.



GENERAL DEVELOPMENT OF THE BUSINESS

History

On September 12, 2020, Cura-Can signed a non-binding letter of intent in connection with the Transaction with Colson. Subsequently, Pathway was incorporated as a wholly-owned subsidiary of Cura-Can in order to participate in the Transaction, and prior to the TCNC Asset Acquisition (as defined below), did not carry on active business. On January 29, 2021, Pathway entered into the Share Exchange Agreement with Colson, which superseded the Letter of Intent. Pursuant to the Share Exchange Agreement and subject to the fulfillment of certain conditions precedent, Colson will acquire all of the issued and outstanding Pathway Common Shares from the Pathway Shareholders. The Transaction will be Colson’s Qualifying Transaction. For further information, see “*Information Concerning Colson – Description of the Qualifying Transaction*”.

On January 18, 2021, Pathway, at the time a wholly-owned subsidiary of Cura-Can, entered into an Asset and Share Purchase Agreement with TCNC, a related party, and also a wholly-owned subsidiary of Cura-Can, under which substantially all of the operating assets of TCNC (the “**TCNC Asset Acquisition**”), including shares held in the capital of Silver, 196 Alberta, 100 Manitoba, and Slawner Ortho (the “**TCNC Assets**”) were acquired by Pathway. At the time of the TCNC Asset Acquisition, TCNC operated, either directly or through its subsidiaries, nine pain

management medical clinics in Ontario, Quebec, Saskatchewan and Manitoba and through its subsidiary Slawner Ortho, a custom orthotics, prosthetics and home care business. In exchange for the TCNC Assets, Pathway issued 10,093,484 Class C Preferred Shares at a deemed price of \$0.50 per share and 41,545,226 Class D Preferred Shares at a deemed price of \$0.50 per share to TCNC, assumed certain liabilities of TCNC in the amount of \$583,555, certain indebtedness of TCNC in the amount of \$4,459,446, and issued a promissory note in the amount of \$4,855,301 for aggregate deemed consideration of \$35,717,657. Pathway estimates a post-closing adjustment payable to TCNC in the approximate amount of \$13,046. Upon completion of the TCNC Asset Acquisition, the initial Pathway Common Share held by Cura-Can was transferred to TCNC for nominal consideration pursuant to a share purchase agreement dated January 18, 2021, and Pathway became a wholly-owned subsidiary of TCNC.

Since the TCNC Asset Acquisition, Pathway has continued to operate TCNC's business as described below. Unless otherwise indicated, references to the business of Pathway also include the business of TCNC.

Set out below is a summary of the history of Pathway's business for the past three years (as operated by TCNC prior to the TCNC Asset Acquisition).

2018

The Clinic Network Canada Inc.

TCNC is a private company, incorporated under the CBCA on March 3, 2017. From TCNC's incorporation through June 2018, emphasis was placed on re-engineering the standard operating procedures ("SOPs") in TCNC's clinics in Ontario (Bowmanville, Waterloo and Brampton) and Alberta (Calgary and Edmonton). The Brampton, Calgary, and Edmonton clinics were acquired by TCNC as part of the acquisition of Lift Resource Centres in 2017. The Bowmanville and Waterloo clinics were greenfield clinics opened by TCNC in 2017. These clinics previously focused on weight loss and allied health, such as physiotherapy and massage therapy. As part of the re-engineering of the SOPs, the clinics became focused on interdisciplinary pain management, including serving medically diagnosed chronic pain patients with medical cannabis as a new treatment option, within the requirements of the Access to Cannabis for Medical Purposes Regulations of Health Canada. By July 2017, TCNC clinics had physicians and nurse practitioners prescribing medical cannabis for their chronic pain patients and had established LH relationships for 5 clinics in Ontario and Alberta.

Chief Peguis Investment Corporation

On August 8, 2018, 10022241 Manitoba Ltd., a wholly-owned subsidiary of Chief Peguis Investment Corporation ("CPIC"), subscribed for 2,000,000 common shares of Cura-Can, TCNC's parent company, for \$2,000,000 at a deemed value of \$1 per share. This investment was completed in 2 tranches by December 2018.

The goal of the CPIC investment was to help seed a joint venture corporation, 100 Manitoba, which was 51% owned by TCNC and 49% owned by CPIC (through its subsidiary, 10022241 Manitoba Ltd.), that would operate interdisciplinary pain clinics in the new CPIC commercial developments in Selkirk and Winnipeg, Manitoba. TCNC historically managed the joint venture corporation, however, no formal agreements were entered into.

With the completion of the TCNC Asset Acquisition, effective April 1, 2021 Pathway entered into a set of formal agreements that govern the relationships between Pathway and CPIC as shareholders of 100 Manitoba, and Pathway as the manager of 100 Manitoba. In addition, Pathway contributed certain non-material operating assets and its patient base in the Province of Manitoba to 100 Manitoba in exchange for CPIC reducing the amount of the lease hold improvement loans provided by CPIC to 100 Manitoba to make the required lease hold improvements in Selkirk and Winnipeg clinics. See "2021 – Joint Venture Corporation" below.

2019

2563367 Ontario Limited o/a Silver Medical Group Centre for Pain Care

On January 21, 2019, TCNC acquired all the issued and outstanding shares of 2563367 Ontario Limited o/a Silver Medical Group Centre for Pain Care (“**Silver**”), for an aggregate purchase price of \$3,000,000 in cash consideration. The acquisition of Silver positioned TCNC as one of the market leading innovators for interventional pain services in Canada. Silver operates an out-of-hospital premises, licensed by the Ontario Ministry of Health under the Independent Health Facilities Act and inspected by the College of Physicians and Surgeons of Ontario to ensure compliance with standards, with diagnostic imaging capabilities, including ultrasound and fluoroscopy. Silver forms the foundation for Pathway’s national expansion plans for establishment of chronic pain clinics in the major provincial markets across Canada.

Slawner Ortho Ltée

On March 11, 2019, TCNC incorporated Slawner Ortho and purchased certain assets and assumed certain liabilities of insolvent J. Slawner Ltée from MNP, the court-appointed receiver. Slawner Ortho specializes in custom orthotics, prosthetics and home health care products. The acquisition was completed to add pain management products to TCNC’s pain management offerings. Consideration for the purchase consisted of a \$25,000 cash deposit paid on March 5, 2019 and a cash payment of \$349,441 on March 18, 2019.

The Slawner Ortho business consists of five well-established clinics in the Greater Montreal region and Eastern townships of Québec. The clinics are all based in hospitals and medical clinic settings and have served over 200,000 patients suffering from orthopedic foot and lower limb pain. Management believes the Slawner Ortho’s database is comprised of patients who may be ideal candidates for TCNC’s interventional pain and medical cannabis programs.

Natural Health Services Ltd.

On December 18, 2019, Cura-Can, acquired all the issued and outstanding shares of Natural Health Services Ltd. (“**NHS**”), a wholly-owned subsidiary of Sunniva Inc. (“**Sunniva**”). Cura-Can paid an aggregate purchase price of \$9,000,000 to Sunniva consisting of: (i) \$250,000 in cash; and (ii) 7,000,000 Class A Shares of Cura-Can. As part of the purchase agreement 600,000 shares were held back to cover any working capital adjustments post-closing date. Subsequent to the working capital adjustments, 580,031 were retained by Cura-Can and 19,969 shares were released. The final purchase consideration was \$250,000 and 6,419,969 Cura-Can shares.

As part of the NHS acquisition, Cura-Can also acquired the assets of 196 Alberta o/a Top Technology, which owns the source code to the Spark proprietary software (the “**Spark Software**”). Spark Software is application software that allows NHS access to Health Canada licensed producers and sellers product inventory levels and the ability to download patient Medical Documents to an LH for order fulfillment.

NHS operated 7 medical cannabis clinics in Edmonton, Calgary, Medicine Hat and Lethbridge, Alberta; Saskatoon, Saskatchewan; Winnipeg, Manitoba; and Windsor, Ontario. These specialized clinics provided consultations with physicians who diagnosed, assessed, and issued the medical cannabis prescriptions based on a patient’s medical condition. Following the issuance of a Medical Document patient educators would fill the prescriptions with appropriate LHs. NHS has served over 120,000 patients under Health Canada’s medical cannabis regulations.

As a result of significant business disruptions and other COVID related factors, during the course of 2020 NHS faced significant losses and was no longer able to continue as a going concern. NHS ceased operations on November 24, 2020. From January 1, 2020 until November 24, 2020, TCNC operated the NHS business under the terms and conditions of a management agreement between TCNC and NHS. Effective November 24, 2020, NHS terminated the management agreement with TCNC. In September 2020, Cura-Can completed an independent valuation of the assets of NHS, which included certain equipment used in the business of NHS, intangibles, and the shares of 196 Alberta. Following delivery of the valuation, Cura-Can authorized the sale of the remaining NHS assets to TCNC in exchange for a promissory note in the amount of \$215,330. As part of the sale of the NHS assets, TCNC acquired the Spark Software, owned and created by 196 Alberta o/a Top Technology.

2020

Medical Cannabis Management Program

On March 2, 2020, TCNC acquired the Medical Cannabis Management Program (“**MCMS**”), including all rights, trademarks, copyrights, standard operating protocols and intellectual property associated with MCMS from National Access Cannabis Medical Inc. (“**NACM**”). The MCMS is a set of standard operating procedures regarding assessment of whether medical cannabis may be an appropriate treatment option for certain patients, designed to facilitate the inclusion of pharmacists in the circle of care for the prescription of medical cannabis by enabling pharmacists to offer medical cannabis assessments to patients. This asset purchase also included MCMS service agreements with 152 independent pharmacies (“**MCMS Base**”) in British Columbia, Saskatchewan, Manitoba, Ontario and Nova Scotia. The aggregate purchase price of \$1,200,000 consisted of an unsecured convertible promissory note in the amount of \$200,000 (the “**NACM Note**”) and up to \$1,000,000 in contingent earn out bonus. The contingent earn out is payable if the gross education grant revenues received under NACM's contracts during each 12-month period (each, a “**Calculation Period**”) for the three years following the closing of the MCMS acquisition is greater than \$5.4 million (the “**Earn Out Target Revenue**”). If the Earn Out Target Revenue is met during any Calculation Period, NACM will receive 5% of the gross revenue received during such Calculation Period up to an aggregate maximum of \$1,000,000 over the life of the earn out, payable in Pathway Class E Shares. Pathway has estimated the fair value of the contingent earn out to be \$nil, as applicable revenues for the first Calculation Period were significantly lower than the \$5.4 million threshold.

The NACM Note matures on September 6, 2021 and may be repaid prior to maturity, at TCNC's option, with no premium or penalty. The original NACM Note was convertible into common shares of TCNC upon the occurrence of a liquidity event, but has since been amended and restated in connection with the TCNC Asset Acquisition and is now convertible into Class E Preferred Shares of Pathway. The conversion price per share is the lower of \$10,856 or the deemed market value. If no such event occurs prior to maturity, the note shall be paid in cash.

National Access Cannabis Medical

On June 24, 2020, TCNC acquired the operating clinical assets from NACM and its sole shareholder, Meta Growth Corp., for an aggregate purchase price of \$800,000 which consisted of a cash payment of \$500,000 and \$300,000 in contingent earn out bonus. The amount of earn-out bonus is to be determined based on meeting certain performance metrics in the first 12 months after closing of the acquisition of NACM assets and is payable in Class E Preferred Shares of Pathway if Pathway Shares are listed on a public exchange within 12 months of closing of the acquisition of the NACM assets, or in cash. On acquisition, the probability fair value of the contingent consideration was estimated to be \$210,000 based on TCNC's estimate of the performance targets being achieved. The measurement of the contingent consideration is impacted by estimated probabilities of the likelihood that the performance targets will be met and are multiplied by the specified consideration payable. These estimated probabilities are highly subjective and are significantly impacted by budgeted and actual results as of the acquisition date, and subsequent thereto for period end revaluations. At the date of acquisition, TCNC estimated a 70% probability of the earn-out bonus being achieved (\$210,000). Any additional changes in future estimates of fair value of the contingent consideration payable may be significant and such changes will continue to be recognized within profit and loss in subsequent periods.

At March 31, 2021, on review of the results, management adjusted the probability fair value of the contingent consideration to \$146,000 based on Pathway's estimate of the performance targets being achieved. The change in the estimate of fair value, is recognized in profit and loss as a gain on re-measurement of contingent liability as the original purchase allocation is not adjusted.

This acquisition included a medical cannabis database of over 28,000 patients served under Health Canada's medical cannabis regulations by NACM's virtual care platform (virtual clinics) in five Canadian provinces across Canada.

Nature Medic Inc.

On April 28, 2020, TCNC entered into a memorandum of understanding (“**MOU**”) with Nature Medic Inc. (“**NMI**”), a leading provider of medical cannabis services in the Province of Québec, under which TCNC and NMI entered into an interim services agreement (“**Service Agreement**”) leading to the potential purchase of the business assets of NMI.

Under the MOU, NMI assisted TCNC in the development of telemedicine and clinic services in Québec to support and deliver on TCNC’s national contracts with pharmacy corporations and licensed producers. NMI provided the services through its physician, nursing and support staff at its Québec based clinics and provided telemedicine services. In exchange for the services provided, the TCNC paid certain of NMI’s operating expenses and received revenues associated with the services delivered under the Service Agreement.

On August 31, 2020, TCNC acquired the assets of NMI for the purchase price of \$400,000 which consisted of \$100,000 payment in cash and a \$300,000 unsecured non-interest bearing 12-month unsecured convertible promissory note (the “**NMI Note**”) of which \$50,000 is contingent on meeting certain financial performance metrics. The original NMI Note was convertible into common shares of TCNC, but has since been amended and restated in connection with the TCNC Asset Acquisition and is now convertible into Class E Preferred Shares of Pathway, on or prior to the maturity date, if Pathway’s shares are listed on a recognized stock exchange.

The contingent payment of \$50,000 was recorded at its estimated fair value of \$nil. This was determined considering the probability that NMI would achieve EBITDA above the levels resulting in additional payment.

The NMI Note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. Pathway may repay the note without notice or penalty. Pathway can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into Class E Preferred Shares of Pathway at a 10% discount from the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then Pathway will either: (i) issue additional Class E Preferred Shares to NMI equal to the indebtedness less the value of the converted shares on the date immediately after the hold period (“**Hold Value**”); (ii) pay to NMI an amount equal to the Hold Value in cash.

NMI has one clinic in Magog and four affiliate clinics in the Eastern townships of Québec. NMI has served over 1,200 patients under Health Canada’s medical cannabis regulations.

2021

Joint Venture Corporation

Effective October 1, 2020 Pathway entered into two leases with CPIC to operate interdisciplinary pain clinics through the joint venture corporation, 100 Manitoba, in the new CPIC commercial developments in Selkirk and Winnipeg, Manitoba. These clinics were established to serve the over 10,000 members of the Peguis First Nation and the general population in the surrounding two geographic centres of Manitoba.

Effective April 1, 2021, Pathway entered into the following agreements which govern the joint venture

- Pathway, 10022241 Manitoba Ltd., and 100 Manitoba are parties to a unanimous shareholder agreement governing their respective rights and obligations in respect of 100 Manitoba (the “**100 Manitoba USA**”);
- Pathway and 100 Manitoba are parties to a management services agreement, pursuant to which Pathway administrative, accounting, financial, project management services to 100 Manitoba (the “**100 Manitoba Management Agreement**”);
- Pathway, CPIC, and 100 Manitoba are parties to contribution agreements (the “**Contribution Agreements**”), pursuant to which, Pathway agreed to contribute to 100 Manitoba: (i) all of its right, title and interest in and to certain non-material assets currently or formerly used exclusively in the operation of a single medical clinic acquired from NACM located in Selkirk, Manitoba (the “**NACM**”

Clinic”) and certain non-material assets of a single medical clinic formerly operated by NHS located in Winnipeg, Manitoba (the “**NHS Winnipeg Clinic**”); (ii) a non-exclusive license to use the intellectual property of Pathway in the Province of Manitoba used in the operation of the NACM Clinic and the NHS Winnipeg Clinic; (iii) revenues attributable to the current and former patients of the NACM Clinic and the NHS Winnipeg Clinic as well as future patients located in the Province of Manitoba. In consideration thereof, CPIC made a capital contribution of \$500,000 to 100 Manitoba which reduced the amount of the lease hold improvement loans provided by CPIC to 100 Manitoba to make the required lease hold improvements in the NACM Clinic and the NHS Winnipeg Clinic.

Incorporation of Pathway Wellness Products Corp. and Pathway Healthcare Technologies Corp.

In an effort to facilitate potential future expansion of Pathway’s business, Pathway Wellness Products Corp. and Pathway Healthcare Technologies Corp. were recently incorporated.

Pathway Wellness Products Corp. (“**PWHC**”) was incorporated on December 14, 2020. Currently, Pathway Wellness is inactive, however it is intended to represent the future business division which will be focussed on assisting or partnering in the development of and facilitate in the distribution of cannabinoid (focused on CBD) based products once regulations permit.

On January 5, 2021, Pathway entered into a letter of intent with Geocann LLC for the preferred supply and distribution of cannabinoid-based products incorporating patented VESIsorb® technology (for improved bioavailability and absorption). Pathway’s potential future plans include engaging licensed producers, formulation specialists and professionals in clinical trials to develop, manufacture, distribute and sell CBD based products utilizing the VESIsorb® technology on behalf of Pathway. Further, Pathway’s collaboration agreements with retail Pharmacy partners offers Pathway the opportunity to secure shelf-space for future products produced and manufactured by duly licensed entities. Currently, Pathway has entered into agreements and strategic relationships with third party retail pharmacy corporations and is in early stage conversations about product development.

Pathway Healthcare Technologies Corp. (“**PHTC**”) was incorporated on January 25, 2021. Currently, PHTC’s main proposed function and aim is to support the goals of Pathway’s principal business units (Inter-Disciplinary Clinics and Education and Order Fulfillment Services with License Holders), including by facilitating the efficient execution of MCMS for pharmacy and PLP programs, by automating the business process and by reducing resource requirements and costs. This will facilitate the scaling of the business with minimal additional headcount or consultants and by leveraging technology, including the Spark proprietary software.

See “*Information Concerning Pathway – Narrative Description of the Business – Future Developments*” below.

Bridge Notes

On March 23, 2021, Pathway completed a \$750,000 non-brokered private placement of unsecured promissory notes with certain accredited investors (the “**Bridge Notes**”). The Bridge Notes have an interest rate of 10% per annum and a term to maturity of six months. The Bridge Notes also include a 10% loan fee, for an aggregate value of \$825,000. Insiders of Pathway subscribed for an aggregate of \$325,000 (excluding the loan fee). The proceeds from the Bridge Notes will be used to repay a portion of the non-interest bearing promissory note issued to TCNC as part of the Asset and Share Purchase Agreement, for general and administrative expenses, and to pay professional fees related to the Transaction.

Significant Acquisitions and Dispositions

Except for the TCNC Asset Acquisition, Pathway has not completed any significant acquisitions or dispositions for which financial statements would be required under National Instrument 41-101 – *General Prospectus Requirements* as at the date of this Filing Statement.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Following the acquisition of all or substantially all of the operating assets of TCNC (which consolidated the operating assets described under “*Information Concerning Pathway – General Development of the Business – History*” above), Pathway now continues the business of TCNC, as a healthcare company that provides clinical services and products to patients with chronic pain. Pathway is committed to delivering personalized care to help improve its patients' quality of life. Pathway's goal is to provide patients with timely access to treatment using advanced and clinically proven solutions to achieve the best outcomes. Pathway's health care professionals are trained in managing chronic pain through proper assessment and multi-modality treatment plans that include minimally-invasive approaches, intravenous therapies, allied health methods and medical cannabis, among others. Pathway intends to develop and launch health products, some of which may be classified by Health Canada as Schedule 2 drugs (with prescription) and Schedule 3 over-the-counter (no prescription) products, for patients suffering from chronic pain, rheumatoid arthritis, insomnia and related disease states. Pathway anticipates that these products may be distributed through Pathway's collaborations with their Health Canada authorized LHs and are under consideration by the retail pharmacy corporations.

Principal Business Units

Pathway generates revenue through the operation of nine physical inter-disciplinary clinics in 4 provinces, Quebec, Ontario, Manitoba and Saskatchewan, and the provision of virtual care across Canada. Pathway's clinical patient services are paid for by provincial health insurance, third party insurance companies and privately by patients. Clinical services paid for by provincial and third party insurance includes: medical assessment and follow-up, multi-modality diagnostic imaging, intravenous therapies, medical implants, nerve block injections and other interventional therapies. The clinics are operating under the trade names of: The Clinic Network; Slawner Ortho; Nature Medic; and Silver Centre for Pain Care. All SOPs are being re-engineered to established national standards for patient care. Vertical integration of services is underway to maximize cross-referral and patient billings.

Subject to applicable laws and regulations, Pathway has assembled a large database of over 350,000 patients that could potentially be used for clinical research and trials to support its core chronic pain business, and to measure efficacy of Pathway's potential products that are being developed and branded for its patients and its retail pharmacy partners.

Pathway's Inter-Disciplinary Clinics

Pathway's goal is to become the leading provider of pain management services and wellness products in Canada. Pathway has a Three-Pillar approach to its pain management services that consists of: (i) interventional pain management; (ii) multi-disciplinary rehabilitation; and (iii) medical cannabis.

Interventional Pain Management

Pathway's pain management centres specialize in the full spectrum of the diagnosis and treatment of pain, with a focus on Interventional Pain Management (“IPM”). These evidence-based treatments are performed by trained specialists using state-of-the-art techniques including minimally invasive, image guided interventions to diagnose the source of, and treat chronic pain.

The IPM vision is to create a novel model of long-term chronic pain management by implementing high standards and risk mitigation in the community.

Pathway's IPM team provides services within an established framework of a comprehensive pain strategy that:

- provides timely access to evidence-based medical and supportive pain care by maintaining an “open door policy”, allowing patients to access Pathway's IPM services without a referral;

- offers appropriate interdisciplinary treatments for chronic pain patients considered candidates for opioid therapy or receiving chronic opioids and other control substances;
- provides assessment and management to patients on opioid medications;
- facilitates continuity of care by serving as a conduit to and from the family physicians and pharmacies;
- implements College of Physicians and Surgeons of Ontario 2017 standards and guidelines by developing clinical protocols concerning the opioid initiation, maintenance, monitoring, and risk mitigation;
- networks with other healthcare and community partners and facilities linked to both academic hospitals and local community services;
- provides chronic community-based pain education to academic learners, practicing physicians and the local public;
- collects and analyzes outcome data; and
- engages in longitudinal quality improvement and research projects related to effectiveness, long term consequences, and safety of opioids.

The IPM services provided are:

- chronic pain assessment, diagnosis, and multimodal management;
- chronic opioid risk assessment;
- chronic opioid management and monitoring;
- rapid detoxification; and
- patient education via community counseling and online resources.

Consideration for future services include the integration and cooperation with other community programs to launch or expand:

- ongoing education;
- clinical pharmacy;
- social services and life coaching;
- mental health and addiction;
- group therapy (therapeutic yoga, nutrition education, mindfulness and cognitive-behavioral therapy);
- functional rehabilitation; and
- personalized data and outcome tracking.

Multi-Disciplinary Rehabilitation

The second pillar of Pathway's three pillar approach is multi-disciplinary rehabilitation. This team approach for care and service is the basis for rehabilitation treatment and engages chiropractors, physiotherapists, massage therapists and naturopaths. This multi-disciplinary team establishes, administers, manages and evaluates, the treatment plan for the patient based on their medical condition.

Medical Cannabis Products

Pathway has an established network of virtual clinics that have issued over 130,000 Medical Documents to cannabis patients across Canada. Pathway's physicians and nurse practitioners prescribe medical cannabis to qualified patients from LHs, in accordance with the *Cannabis Act* (Canada) and regulations. Patient educators are either Registered Nurses or personnel with medical cannabis knowledge across many LH product offerings. The nurses are governed by their respective Colleges for their scope of practice and medical record keeping. For the non-licensed educators, Pathway monitors and maintains the quality standards for the delivery of these services. Educators then inform qualified patients of LH product options and fulfill the order with the patient's choice of LH. The LH products are delivered directly to the patient's home. Pathway operated clinics are not dispensaries and, as such, do not carry inventory or distribute cannabis products.

Only physician services are covered by provincial health insurance, specifically patient assessment, diagnosis, consultation and follow-up services related to medical cannabis usage. Medical cannabis products and services provided by nurse practitioners and/or non-licensed educators are not covered by provincial health insurance.

The main components of the *Patient Journey* for medical cannabis are:

(a) Patient Diagnosis, Prescription & Follow-up:

- **Patient Diagnosis:** Patients who are diagnosed with a medical condition and have tried at least one prior traditional medication or treatment are eligible to obtain a Medical Document from a Pathway physician or nurse practitioner.
- **Prescription:** The Medical Document is the authorization for medical cannabis at the prescribed limit per day. Once prescribed, the patient speaks with one of Pathway's patient educators who provide an in-depth education session on LH product options for their medical condition;
- **Placing Prescriptions with License Holder:** Once prescribed, patient educators will assist patients in completing their order for medical cannabis with their choice of LH; and
- **Quarterly Patient Follow-up:** Pathway health care practitioners and educators perform quarterly re-assessments with their patients to ensure product efficacy and to adjust product usage or prescriptions (as required) with the clinician writing the prescription. This procedure is compliant with provincial Colleges of Physicians and Surgeons and nurse practitioner governing authority requirements.

(b) LH Education & Order Fulfillment Services:

Pathway provides a referral service to LHs that assist patients in selecting strains of medical cannabis and fulfilling the patient's order with a LH of their choice. Pathway patients choose different types of dried product, cannabis oil or alternative delivery system, based on their preference and medical needs. Pathway evaluates the medical product offerings from the lead LHs in Canada, cataloguing strains and oils, reviewing quality, consistency, reliability, product availability and pricing programs.

Pathway facilitates safe and informed access to medical cannabis within the laws and guidelines established by Health Canada under the *Cannabis Act* (Canada) and regulations. The proprietary Spark Software, owned and created by 196 Alberta o/a Top Technology, has direct links with selected LH partners for timely processing of the Medical Document and up-to-date information on all LH inventory. In this manner, Pathway provides referral services to assist patients in navigating an often complex system in order to access the medication they need from an LH.

Pathway has commercial agreements with LHs that provide the revenue used to support the patient education and case management services. Currently, Pathway has 12 agreements across 28 LH product brands for education grant revenue. Grant revenues varies between 15%-30% of the patient purchase with the LH.

Operations

Pathway's corporate office is located in leased space at 10 Four Seasons Place, Suite #510B, Toronto, Ontario M9B 6H7. This lease is with an arm's length third party on terms and conditions customary for leases of this nature.

Pathway is devoted to improving the quality of life of its patients. Pathway has established a network of specialized medical clinics in major markets throughout Canada to treat patients with chronic pain and connect patients with access to medical cannabis. Pathway's network consists of nine multi-disciplinary pain clinics in four provinces and provides virtual care for medical cannabis across Canada. All of the pain clinics operate in leased office space; all leases are with third parties on terms and conditions that are customary for leases of this nature. Each of Pathway's leased clinic properties are listed below:

Clinic Location	Lease Expiration Date
7600 boulevard Viau, Montreal, QC H1S 2P3	December 31, 2025
620 Manitoba Ave., Selkirk MB R1A 1A5 ⁽¹⁾	September 30, 2025
Unit 90, 5000 Jean-Talon Ouest, Montreal, QC H4P1W9	February 29, 2028
230 boulevard Brisebois, Local 103, Chateauguay, QC J6K 0H5	September 30, 2024
5767 LeGare, Pavillion K, Montreal QC H3T 1E4	May 31, 2026
4646 Dufferin St., Unit 9, Toronto ON M3H 5S4	December 31, 2023
2377 rue Principale Ouest, Ste #120, Magog, QC J1X 0J4	December 31, 2024
1065 Portage Ave., Main floor, Winnipeg MB R3G 068 ⁽¹⁾	September 30, 2025
160-2 nd Ave. North, Saskatoon, SK S7K2B2	September 30, 2021

Pathway plans to undertake additional expansion with green field clinics and strategic affiliate partners in major geographic provincial markets in which they do not currently have any representation.

To facilitate Pathway's operations and business model, Pathway has established roles and responsibilities to capture Pathway's mission statement, standard operating procedures, clinical protocols, hiring practices and position accountability.

Employees

As of January 1, 2021, the staff portfolio of Pathway (and all subsidiaries) consists of:

- 9 Management staff members;
- 28 Physician consultants;
- 6 Nurse Practitioners comprised of consultants and staff members; and
- 101 full-time and part-time equivalent staff comprised of 19 nurses (certified Registered Nurses or Licensed Practical Nurses) and physician assistants, 3 sales/marketing members, 12 medical cannabis educators and 67 support staff.

Principal Markets and Trends

The Canadian Pain Task Force (established in March 2019 by the Government of Canada) estimated the combined direct and indirect costs of chronic pain in Canada total approximately \$56 to \$60 billion per year.¹ In fact, chronic pain in Canada costs more than cancer, heart disease, and HIV combined.² The majority of this cost - \$37 billion – relates to lost productivity due to job loss or sick days. Despite this substantial cost, chronic pain receives less attention relative to other chronic conditions, from a research and educational perspective. Historically, chronic pain has received only 0.25% of total funding for all health research in Canada and physicians receive less academic pain training than veterinarians, physical therapists, nurses and occupational therapists.³ The Canadian Pain Task Force is focused on addressing the challenges faced by chronic pain patients in Canada. In addition, in May 2019, the World Health Organization recognized chronic pain as a disease in its own right and included chronic pain in its International Classification of Diseases. The International Classification of Diseases can help guide governments in their funding decisions and can also guide clinicians and researchers.

Treatment options for chronic pain patients in Canada include: pharmacotherapy; psychological interventions; rehabilitation and physical therapy; procedural interventions (injection-based or medical device-driven therapies); practitioner administered manual therapies; and self-management techniques like mindfulness meditation. These treatments are often provided as standalone treatments with no coordination of care across different treatment modalities. This is despite the mounting evidence of the effectiveness of a coordinated biopsychosocial approach to assessing and treating chronic pain. The limited facilities in Canada that do offer interdisciplinary care are characterized by long wait times and companies like Pathway are filling the gap between monomodal care and hospital-based pain clinics.

Obsolescence in the delivery of healthcare services through clinics is generally linked to a clinic's location, services offered, use of current health care technology, and ease of use of patient facing information systems. Pathway intends to have interdisciplinary pain clinics in all major geographic markets across Canada. This will be achieved by expanding services in some of its established clinics, green field clinic developments and affiliated complementary clinics in which Pathway expands its pain and medical cannabis services.

The pain management business is neither cyclical nor seasonal as patient demand is based on medical conditions. For the medical cannabis segment of Pathway's business, the following market data presents:

- The number of medical clients registered with Health Canada LHs grew 24% from 303,221 in June 2020 to 377,024 in September 2020. The average daily amount authorized by health care practitioners for these individuals has remained relatively constant at 2 grams per day since the coming into force of the *Cannabis Act* in October 2018.⁴
- Based on the 2020 average per gram cost of \$8.50, the medical cannabis industry is estimated to generate revenues over \$500 million in 2020 with an anticipated \$0.7 billion to \$1.7 billion in annual sales by 2024.⁵
- One rate limiting step to medical cannabis market growth has been accessing prescribing physicians. At March 2020, there were 7,467 physicians prescribing medical cannabis⁶ of the 91,375 licensed physicians in Canada⁷; which is less than 8.2% of the total licensed. Access to medical cannabis

¹ Wilson, M. G. Supporting chronic pain management across provincial and territorial health systems in Canada. *Pain Res Manag.* 2015, 20(5): 269-279.

² Lynch ME. The need for a Canadian pain strategy. *Pain Res Manag.* 2011 Mar-Apr; 16(2): 77–80

³ Lynch ME. The need for a Canadian pain strategy. *Pain Res Manag.* 2011 Mar-Apr; 16(2): 77–80

⁴ Government of Canada: *Data on Cannabis for Medical Purposes* (<https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html>)

⁵ Cannabis Business Plan: *Canadian Cannabis Market* (<https://cannabusinessplans.com/canadian-cannabis-market/>)

⁶ Government of Canada: *Data on Cannabis for Medical Purposes* (<https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html>)

⁷ Canadian Institute for Health information: *Physicians in Canada* (<https://www.cihi.ca/en/physicians-in-canada>)

through the 42,500 licensed pharmacists in Canada⁸ (who are a trusted gatekeeper for traditional medications), will be the paradigm shift that will lift this barrier.

Pathway recognizes how difficult access to timely, convenient and quality healthcare in Canada has become and how these issues will be exacerbated in the future with the aging population requiring services. As of the date hereof, patients face long wait times and have fragmented healthcare records, which plays a role in the management of their care. In September 2019, nearly 4.8 million Canadians said that they did not have a family physician⁹. The increased stress in the daily lives of Canadians, coupled with a lack of access to convenient, timely, and quality health services puts a strain on hospitals and other service providers in the healthcare system. This results in the growing financial and service delivery burden on the healthcare system. These challenges on the healthcare system are expected to intensify as it is forecast that by 2036, approximately 25% of the global population will be aged 65 and older¹⁰. Physicians and other healthcare providers are also facing challenges and have reported feeling overworked and burdened by operational challenges. With the support of physicians and other healthcare care providers, Pathway strives to bridge the challenges discussed above and make healthcare services timelier and more accessible for patients through its clinics. Accordingly, Pathway has been creating convenient access to interdisciplinary patient services for chronic condition management, through its network of Pathway's 9 interdisciplinary pain management clinics in Canada and through its national virtual care platform.

Business Growth Initiatives

Pathway intends to continue building its clinic and patient base through acquisitions. Pathway has established certain criteria for its clinic and partnership targets that include:

- (i) experienced pain physicians/clinicians with a reputation for clinical excellence and an entrepreneurial orientation;
- (ii) established above average clinic revenue and organic growth potential with capacity for clinic expansion of services at the existing location;
- (iii) existing revenue platform of a minimum of \$750,000 (1.25 full-time equivalent Physicians) and EBITDA of at least 15%;
- (iv) provincial geographic center with a catchment of 100,000+ patients in the surrounding area;
- (v) ability to expand Pathway's interventional pain, medical cannabis and pharmacy program services, within an existing medical group or group of clinics serving a region. This permits the development of a "hub" and "spoke" model for centralization of Pathway's specialized services;
- (vi) no limitations by provincial and College of Physicians licensing authorities for interventional pain services that permit Ministry of Health billings at a specialist physician level;
- (vii) programs for captive member populations with existing payor relationships i.e. unions and Federal First Nation non-insured services; and
- (viii) no conflict or limitations with Pathway's provision of pharmacy, pain or medical cannabis services.

⁸ Canadian Pharmacists Association: *Pharmacists in Canada* (<https://www.pharmacists.ca/pharmacy-in-canada/pharmacists-in-canada/>)

⁹ Our World in Data, Age Structure, Hannah Ritchie and Max Roser, September 2019

¹⁰ Our World in Data, Age Structure, Hannah Ritchie and Max Roser, September 2019

Patient Growth Opportunities

For Pathway, growth of the patient base is of continued importance to its future success. To that end, Pathway will focus on organic growth to increase its patient intake and clinical research to monetize its significant database of over 350,000 patients.

The organic growth plan is based on innovative programs that management of Pathway will develop for specialty markets in Canada. The Pathway team has identified market opportunities with retail pharmacy companies, insurance companies, unions and healthcare vertical market service providers.

These strategic initiatives represent significant growth potential for Pathway and are in the following areas:

(a) Digital Marketing Assets

Pathway intends to embark on a re-branding of its pain and medical cannabis services through direct-to-physician campaigns, digital marketing, search engine optimization (SEO) and customer relationship management (CRM) development. The emphasis of these programs will be to gain access to the patient database, referring physicians and potential associated clinics, for marketing of the re-branded message for clinical services and products. Pathway engaged a creative design firm in November 2020 to support these marketing activities and will monitor the return on invested capital for these programs.

(b) Medical Cannabis Management System for Pharmacies (“MCMS”)

The MCMS is a proprietary process that is being trademarked by Pathway. It was designed to be implemented in retail pharmacies, with the overarching goals of providing access points for medical cannabis care and enabling pharmacists to offer medical cannabis assessments to appropriate pharmacy patients. Under the MCMS, patients are then connected to a Pathway physician or nurse practitioner for further evaluation through virtual care, along with product selection assistance by a patient educator. Alternatively, the MCMS allows for pharmacies to connect patients to their own affiliated physicians. The MCMS has also been designed to be integrated into a formal medication review for the pharmacist.

The MCMS consists of a bilingual on-line education program accredited by the Canadian Council on Continuing Education in Pharmacy (CCCEP) for 4 continued education units. TCNC is the only clinic operator with CCCEP accreditation. Subject to the acceptance of a new application by CCCEP at the annual renewal of certification, the CCCEP accreditation will be changed from TCNC to Pathway. The MCMS also offers patient assessment tools for the pharmacist including consent forms, marketing material, back-end patient tracking, standard operating procedures and continuing education. Intellectual property rights around the branding and naming of the MCMS are owned by Pathway.

Pathway has signed five collaboration agreements for MCMS with national and provincial pharmacy retail providers and is currently in discussions with two other national pharmacy retail providers with respect to additional collaboration agreements that Pathway expects to complete in Q1 2021. The combination of these agreements is expected to cover approximately 1,700 pharmacies (and approximately 3,000 participating pharmacists) in 9 provinces that will be targeted to assess appropriate medical cannabis patients.

(c) Third Party Payor Opportunities

Pathway generates revenue by providing services that are covered by provincial health plans and third-party health insurance plans. These services are billed directly by Pathway, or by Pathway physicians, to the provincial plans and third-party payors. Uninsured services not covered by either provincial health or third-party payors are billed directly to patients.

Pathway provides treatment plans for chronic pain and opioid addiction. Pathway’s treatment plans include:

- nerve blocks that inject analgesics to reduce pain intensity (currently covered by some provincial plans);
- infusion of lidocaine or ketamine to treat neuropathic pain (currently covered by third-party payors or paid by the patient out-of-pocket);
- chronic pain management programs that combine education, cognitive behaviour and self-management therapies (covered by provincial and third-party payors); and
- the prescribing of medical cannabis as third-line agents in the treatment of neuropathic pain (covered by some third-party payors or paid by the patient out-of-pocket).

As of the date of this Filing Statement, five major private insurance companies (Sun Life, Manulife, Great West Life, Cooperators and Green Shield) have approved medical cannabis for inclusion in employee health plans in Canada. Coverage is based on the patient/employee meeting identified medical conditions specific to the insurer.

Unions traditionally have good health benefits coverage where their members are involved in workplace injuries, suffer from chronic pain conditions and are subject to high dosages of pain medications, for which medical cannabis may be an effective substitute. That, combined with union members being directed to designated preferred pharmacy locations for obtaining their traditional medications, presents a significant opportunity with Pathway's pharmacy and medical cannabis programs. Pathway's national network of interventional pain clinics and virtual care medical cannabis services present a valuable offering to unions and insurance companies.

In a separate initiative, Pathway's joint venture clinics with Peguis First Nation in Winnipeg and Selkirk, Manitoba, not only serve Peguis band members but they are also open to the general population in these communities. Pathway expects to gain experience with combined payors for health services covered by provincial funding in Manitoba Health and the non-insured federal funding of Indian and Indigenous and Northern Affairs Canada. Pathway intends to leverage this experience with other first nation bands in northern Manitoba, Saskatchewan, Ontario and Atlantic Canada.

(d) The Clinical Research Opportunity

Pathway is participating in a 2,000 patient observational study led by the University Health Network titled the "Real World Evidence" study. The goal of the study is to measure the effects of medical cannabis on pain, depression and anxiety through standardized patient questionnaires at established points in time over a 6-month period.

Pathway is also participating in a second study titled the "Medical Cannabis in Older Patients (MCOP)" trial. This 6-month observational study sponsored by Tilray Inc., aims to monitor the impact of medical cannabis on chronic pain, sleep, quality of life and prescription drug usage for patients older than 50 years of age. Pathway site has been granted Institutional Review Board ethics approval along with protocol amendment and approval.

(e) Expansion of the Technology Offering

Pathway has invested in the development of its proprietary Spark Software platform to support its business objectives.

As the authorization of cannabis for medical purposes and related registration with LHs is different from the management of traditional prescription drugs, Pathway has linked Spark Software to certain Preferred Licensed Partners ("PLP"), to meet the reporting requirements of the MCMS. These links facilitate the patient registering with the PLP via integration with their licensed patient portals, enterprise resource planning system and via secure fax.

These innovative functions make the MCMS a scalable model for implementing thousands of pharmacies across Canada and meeting the financial accountability requirements in Pathway's pharmacy contracts. In addition, these innovative offerings are a rate limiting step for other competitors considering offering similar pharmacy pain and medical cannabis programs to Pharmacy corporations.

A future expansion of the Spark Software functionality will be to link via application program interface (“API”) to market leading EMR systems with LHs. The Canadian EMR market is largely concentrated with three major providers and Pathway is discussing appropriate API links with all of those providers.

Competitive Conditions

The primary healthcare market is a fragmented environment with thousands of medical clinics spread across Canada. The majority of these clinics are owned and managed by physicians. A lack of professional management and other associated infrastructure limits their ability to grow beyond a single location or small, regional network of clinics. In Ontario alone, there are more than 60 clinics claiming to treat chronic pain, many of which are single-location clinics focused on specific treatments. The inherent rate limiting factors for providing full-service interventional pain treatments are: the availability of diagnostic imaging modalities that require a significant capital expenditure commitment and on-going operating expense; and the availability of interventional trained physician specialists.

The medical cannabis industry is intensely competitive. Pathway faces direct competition from LH owned clinics that are also providing virtual care to its patient base. As a significant patient population (who obtained their Medical Document only to get access to medical cannabis) leaves to purchase their products through the recreational stores, only the patients with chronic medical conditions will remain. These patients require the clinical assessment of their condition and counseling to proper LH products in the marketplace, to determine the product efficacy. This, along with the growing coverage of medical cannabis products by third party insurance companies for specific medical conditions, will obtain the medical cannabis patient for disease state management.

Clinics

The remaining lead multi-clinic operators in Canada that prescribe medical cannabis products are all wholly-owned subsidiaries of LPs. As a result, they will likely not be able to overcome the evaluation criteria from retail pharmacy corporations of complying with conflict of interest guidelines for health care providers, in recommending products to patients. Pathway has relationships with many of the LP clinic owners and continues to pursue its interest in market consolidation.

Physicians & Nurse Practitioners

Physicians and Nurse Practitioners (in certain provinces) are able to prescribe medical cannabis directly for their own patients, as there is no requirement for either general practitioners or specialists to refer patients to a specialized cannabinoid clinic. Pathway currently has 12 physicians and 6 Nurse Practitioners trained and able to prescribe medical cannabis in the provinces in which it operates. While there is some capacity within this clinician roster in Ontario, Pathway is currently on a recruitment drive to enhance its roster in non-services provinces to accommodate the planned patient volume from the pharmacy initiatives. In addition, Pathway’s LP partners assist in developing the knowledge of Pathway’s physicians, nurse practitioners and patient educators, in the new alternative delivery technologies for medical cannabis.

Interventional pain physicians continue to be a rate limiting step for organic and green field expansion. Pathway’s advantage is the acknowledgement by interventional pain specialists that our clinical services are expected to survive any Ministry of Health limitations in provincial billable services. Pathway expects this to be an ongoing advantage in recruiting additional interventionist pain physicians and those in other pain clinics that could see their billable revenue impacted. This will also create opportunities for acquisition targets that are accretive to the Pathway clinical platform across Canada.

Proprietary Protection

Other than the MCMS trademark Pathway does not have any registered intellectual property that is material to its business.

Future Developments

On January 6, 2021, Pathway entered into a letter of intent regarding a proposed supply and distribution agreement with Geocann LLC. The preferred supply and distribution relationship is intended to allow Pathway or its subsidiaries to include the patented VESIorb® technology (for improved bioavailability and absorption) into newly developed cannabinoid based products, expected to be processed in partnership with Pathway's PLPs for private-labelling with Pathway's retail Pharmacy partners. The relationship provides exclusivity to Pathway and its seven pharmacy retail partners and its five PLPs in Canada. Additional pharmacies and LHs are expected to be added based on discussions currently underway.

To comply with existing regulatory requirements, Pathway will partner with LHs to produce and develop cannabinoid based products and sell such products through the LH. As the regulations evolve, such that these products may be produced, developed, or sold without a license, Pathway will look to adapt its current model. For example, Health Canada has engaged in discussions with stakeholder groups, regarding the potential approval of regulations for cannabis health products to be distributed in pharmacies (without requiring a Medical Document from a Physician) by Q1 2022. Should this be approved, a license may not be required to develop, produce or sell these products.

Pathway, through its subsidiary PWPC, plans on formulating and co-branding health products, some of which may be classified by Health Canada as Schedule 2 drugs (with prescription) and Schedule 3 over-the counter (no prescription) products, for patients suffering from chronic pain, rheumatoid arthritis, insomnia and related disease states. Pathway anticipates that these products may be distributed through Pathway's agreements with their Health Canada authorized LHs and retail pharmacy corporations.

As part of the proposed health products framework, Pathway intends to develop formulations that are targeted to specific medical conditions that also include other medicinal and non-medicinal ingredients supported by scientific evidence.

These Pathway initiatives are focused on improving access to patient services and medical information across the continuum of care - from virtual care services, to in-office patient encounters, to the inclusion of pharmacy drug records and product information from the licensed producer or seller. Pathway believes that access to this continuum of care, when linked with artificial intelligence tools, would make the system more cost effective and assist in reducing the duplication of costly services within the healthcare ecosystem. Pathway believes these initiatives will give Pathway a competitive advantage in the market, make the lives of healthcare providers more fulfilled and provide patients access to more comprehensive and effective care.

To address potential conflicts arising from Pathway both providing prescribing physicians with recommendations for medical cannabis products and developing its own medical cannabis products, Pathway's patient educators make independent recommendations and only suggest medical cannabis products as appropriate based on a patient's needs. Any future medical cannabis products developed by Pathway will be one of several products recommended by the patient educator, together with similar products from other LHs. The patient also has final say in what product they ultimately choose.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

The following table sets out certain selected financial information of Pathway and TCNC in summary form for the periods indicated below:

	Pathway as at March 31, 2021 (audited)	Pathway as at December 31, 2020 (audited)	TCNC as at December 31, 2020 (audited)	TCNC as at December 31, 2019 (audited)	TCNC as at December 31, 2018 (audited)
Current assets	3,466,236	35,359	2,071,356	1,438,872	451,122

Other assets	5,935,664	-	5,626,813	7,097,179	1,026,206
Total assets:	9,401,900	35,359	7,698,169	8,536,051	1,477,328
Current liabilities	39,150,720	409,864	23,424,152	13,595,416	3,805,850
Other liabilities	2,759,763	-	2,733,403	3,395,256	74,787
Total liabilities:	41,910,483	409,864	26,157,555	16,990,672	3,880,637
Total shareholders' equity: (Deficiency)	(32,508,583)	(374,505)	(18,459,386)	(8,454,621)	(2,403,309)
Total liabilities and equity:	9,401,900	35,359	7,698,169	8,536,051	1,477,328

Management's Discussion and Analysis

The above financial information should be read in conjunction with the financial statements for the period September 18, 2020 to December 31, 2020 and the related management's discussion and analysis, which are attached hereto as Schedules E and F, respectively.

Certain information included in Pathway's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect actual results may vary significantly from those expected. See "*Cautionary Note Regarding Forward-Looking Information*" for further details.

SUBSCRIPTION RECEIPT OFFERING

In connection with the Transaction, on March 16, 2021 Pathway completed the Subscription Receipt Offering for gross proceeds of \$13,800,000. The Subscription Receipt Offering was completed through the Agents pursuant to the terms of the Agency Agreement. Pursuant to the Subscription Receipt Offering, Pathway issued an aggregate of 27,600,000 Subscription Receipts (including the exercise of the Agents' over allotment option) at an issuance price of \$0.50 per Subscription Receipt. Each Subscription Receipt shall be exchanged, without payment of any additional consideration and without further action on the part of the holder thereof, into one Pathway Unit. Each Pathway Unit is comprised of one Pathway Common Share and one-half of one Pathway Warrant, each whole Pathway Warrant exercisable for a Pathway Common Share at a price of \$0.75 for a period of 24 months from the Escrow Release Date. The Subscription Receipts shall automatically be exchanged into Pathway Units upon the satisfaction of the Escrow Release Conditions, all in accordance with the terms and conditions of the Subscription Receipt Agreement.

At the direction of Pathway and the Agents, the Escrowed Funds have been deposited in escrow with the Escrow Agent until satisfaction of a number of conditions contained in the Subscription Receipt Agreement ("**Escrow Release Conditions**"), including but not limited to:

- (a) the closing of the TCNC Asset Acquisition;
- (b) all the necessary regulatory and shareholder approvals for the Transaction including approval of the TSXV have been obtained;
- (c) written confirmation from each of Pathway and Colson that all the conditions to the Transaction have been satisfied other than the release of the Escrowed Funds, and that the Transaction shall be completed forthwith upon release of the Escrowed Funds; and
- (d) the Agents being satisfied that since the closing date of the Subscription Receipt Offering, there have been no material changes in the affairs of Colson or Pathway or any previously undisclosed material fact which has, or could be expected to have, a significant adverse effect on the market price or value of the securities of the Resulting Issuer.

The Agents were paid a cash commission equal to 8% of the aggregate gross proceeds (other than proceeds raised from certain subscribers on a list provided by Pathway to the Agents (the "**President's List**"), for which the Agents were paid 2% of the gross proceeds) as well as non-transferable broker warrants (the "**Broker Warrants**") equal to 8% of the Subscription Receipts sold (other than proceeds raised from President's List subscribers, for which the Agents were issued Broker Warrants equal to 2% of the gross proceeds). Additionally, \$100,000 of gross proceeds under the Subscription Receipt Offering were subscribed for by Non-Arm's Length Parties of Pathway for which no commissions were paid to the Agents. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at an exercise price of \$0.50 per share. In addition the Agents were paid a corporate finance fee of \$150,000, comprised of a \$75,000 cash payment and \$75,000 in Pathway Common Shares at a deemed price of \$0.50 per share.

The net proceeds of the Subscription Receipt Offering, following the deduction of the Agents' fees and expenses and the cash commission, were \$12,580,886.

Upon satisfaction of the Escrow Release Conditions, the Escrowed Funds will be released from escrow to the Agents in an amount equal to the unpaid cash commission and the balance to Pathway immediately prior to the Effective Time of the Transaction (the "**Escrow Release Time**") by notice from Pathway, Colson and the Agents to the Escrow Agent, on or before the later of: (a) 5:00 p.m. (Calgary time) on May 31, 2021; and (b) such later date as Pathway, Colson and the Agents may agree in writing (in each case, the "**Outside Date**").

In the event that the Escrow Release Conditions are not satisfied by the Outside Date, the Escrowed Funds together with accrued interest earned thereon will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled. Pathway will make up for any short fall in funds payable to the holders of Subscription Receipts, such that holders of Subscription Receipts will receive the full amount paid for the Subscription Receipts.

DESCRIPTION OF SECURITIES

The authorized share capital of Pathway consists of an unlimited number of Pathway Common Shares, an unlimited number of Pathway Class B Shares, an unlimited number of Class C Preferred Shares, an unlimited number of Class D Preferred Shares, and an unlimited number of Class E Preferred Shares. Immediately prior to closing the Transaction, as a result of the conversion of certain debt instruments assigned to and assumed by Pathway pursuant to the TCNC Asset Acquisition, there will be 1 Pathway Common Share, nil Pathway Class B Shares, 10,093,484 Class C Preferred Shares of Pathway, 41,545,226 Class D Preferred Shares of Pathway and 10,864,108 Class E Preferred Shares of Pathway issued and outstanding.

Pathway has also issued the Subscription Receipts and Broker Warrants in connection with the Subscription Receipt Offering. See "*Subscription Receipt Offering*" for further details.

Pathway Common Shares and Pathway Class B Shares

Holders of Pathway Common Shares are entitled to receive notice of and to attend all meetings of the Pathway Shareholders and shall have one vote for each Pathway Common Share held at all meetings of the Pathway Shareholders. Holders of Pathway Class B Shares are not entitled to receive notice of, or attend or vote at any meetings of the Pathway Shareholders.

Holders of Pathway Common Shares and Pathway Class B Shares are entitled to: (a) subject to the preferences accorded to holders of Pathway Preferred Shares, receive any dividends as and when declared by the Pathway Board out of the assets of Pathway properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine; and (b) subject to the rights of the holders of Preferred Shares, receive the remaining property of Pathway (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of Pathway. Holders of Pathway Common Shares and Pathway Class B Shares are entitled to receive dividends on the Pathway Common Share or Pathway Class B Shares, as applicable, exclusive of any other shares of the of Pathway, respectively.

Pathway Preferred Shares

The following is a summary of the rights, privileges, restrictions and conditions which are attached to the Pathway Preferred Shares.

Voting Rights

Holders of Pathway Preferred Shares are entitled to receive notice of and to attend all meetings of the Pathway Shareholders and shall have one vote for each Pathway Preferred Share held at all meetings of the Pathway Shareholders.

Dividend Rights

Holders of each class of the Pathway Preferred Shares are entitled to receive and Pathway shall pay thereon, as and if declared by the board of directors, out of the moneys of Pathway properly applicable to the payment of dividends, non cumulative dividends at a rate to be determined by the directors upon the first issuance of any such shares. In respect of the fiscal year of Pathway in which a particular Pathway Preferred Share is issued, such dividends in respect thereof shall accrue from the date of allotment of such Pathway Preferred Share. The board shall be entitled from time to time to declare part of such non cumulative dividend for any fiscal year, notwithstanding that such dividend for such fiscal year shall not be declared in full. If within three months after the expiration of any fiscal year of Pathway the board in its discretion shall not declare any dividend on such Pathway Preferred Shares for such fiscal year, or shall only declare a part of the said non cumulative dividend, then the rights of the holders of such Pathway Preferred Shares to such dividend for such fiscal year shall, as to the undeclared part thereof, be forever extinguished. The holders of the Pathway Preferred Shares shall not be entitled to any dividends other than or in excess of such non cumulative dividends.

Liquidation, Dissolution or Winding Up

In the event of a distribution of the property or assets of Pathway pursuant to a liquidation, dissolution or winding up, holders of Pathway Preferred Shares shall be entitled to receive from the assets and property of Pathway, a sum equivalent to the Redemption Price (as defined below) of such class of Pathway Preferred Shares plus all declared but unpaid dividends thereon, in respect of each Pathway Preferred Share held by them respectively, before any amount shall be paid or any property or assets of Pathway are distributed to the holders of any class of common shares or any other class or series of shares ranking junior to the applicable class of Pathway Preferred Shares. After payment to the holders of the Pathway Preferred Shares of the amount so payable to them, they shall not be entitled to share any further in the distribution of the assets or property of Pathway.

Redemption Price

The Redemption Price with respect to each Pathway Preferred Share shall be fixed by the directors at the time of the first issuance of any such Pathway Preferred Shares and shall equal the amount obtained: (A) when the difference, if positive, between: (X) the fair market value, at the time of the first issuance of such Pathway Preferred Shares, of all consideration received by Pathway in connection with such issuance (whether or not, in connection with such issuance, Pathway also issues or gives any non-share consideration in exchange for the consideration received); and (Y) the fair market value of any non-share consideration issued by Pathway for the consideration received; (B) is divided by the number of Pathway Preferred Shares of such class so issued (for the purposes of this section, the “**Redemption Price**”). The Redemption Price may be adjusted in accordance with the provisions of any written agreement between Pathway and the subscriber for any such Pathway Preferred Shares.

Redemption

- (a) Subject to the provisions of the CBCA, Pathway may, upon giving notice as provided below, redeem at any time the whole or from time to time any part of the then outstanding Pathway Preferred Shares of any class on payment for each share to be redeemed of the Redemption Price plus all declared but unpaid dividends thereon. In case a part only of the then outstanding shares of a class of Pathway Preferred Shares is at any

time to be redeemed, the Pathway Preferred Shares so to be redeemed shall be selected from the Pathway Preferred Shares of such class held by each holder as nearly (disregarding fractions) as may be in proportion to such holder's holdings of such shares.

- (b) In the case of redemption as provided for above, Pathway shall at least 30 days before the date specified for redemption mail or deliver to each person who at the date of mailing or delivery is a holder of Pathway Preferred Shares to be redeemed, a notice in writing of the intention of Pathway to redeem such shares. In case of mailing, such notice shall be mailed by letter, postage prepaid, addressed to the holder at such holder's address as it appears on the records of Pathway or in the event of the address of any such holder not so appearing, then to the last known address of such holder. Such notice shall specify: (A) the number of Pathway Preferred Shares that Pathway desires to redeem; (B) the business day on which Pathway desires to redeem such shares (the "Redemption Date"); (C) the amount of all declared but unpaid dividends with respect to the Pathway Preferred Shares to be redeemed; and (D) the place or places of redemption.
- (c) On or after the Redemption Date, Pathway shall pay or cause to be paid in respect of each Pathway Preferred Share to be redeemed, to or to the order of the holders of the Pathway Preferred Shares to be redeemed, to or to the order of the holders of the Pathway Preferred Shares to be redeemed, the Redemption Price thereof plus all declared but unpaid dividends thereon, if any, on presentation and surrender at the head office of Pathway or any other place designated in such notice of the certificates representing the Pathway Preferred Shares called for redemption. Such payment shall be made by cheque payable at par at any branch of Pathway's bankers for the time being in Canada. If a part only of the shares represented by any certificate are to be redeemed, a new certificate for the balance shall be issued at the expense of Pathway. From and after the Redemption Date the holders of the Pathway Preferred Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the Redemption Price plus all declared but unpaid dividends thereon shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. Pathway shall have the right at any time after the mailing of notice of its intention to redeem any Pathway Preferred Shares to deposit the Redemption Price plus all declared but unpaid dividends thereon, if any, of the shares so called for redemption with respect to such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice, to be paid without interest to or to the order of the respective holders of such Pathway Preferred Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing same. Upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Pathway Preferred Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Price plus all declared but unpaid dividends thereon, if any, so deposited against presentation and surrender of the said certificates held by them respectively.

Repurchase

Subject to the provisions of the CBCA, Pathway may purchase at any time the whole or from time to time any part of the then outstanding Pathway Preferred Shares of any class on payment for each share to be purchased of the applicable Redemption Price thereof plus all declared but unpaid dividends thereon, if any.

Retraction

- (a) A holder of Pathway Preferred Shares shall subject to the provisions in item (iii) below, be entitled by written notice given to Pathway at its registered office, to require Pathway at the option of such holder to either redeem or purchase all or any of the issued and outstanding Pathway Preferred Shares held by such holder. The holder shall tender with such notice to Pathway at its head office a share certificate or certificates representing the Pathway Preferred Shares which the registered holder desires to have Pathway redeem or purchase together with a request in writing specifying: (A) that the registered holder desires to have the Pathway Preferred Shares represented by such certificate(s) redeemed or purchased by Pathway and, if only part of such Pathway Preferred Shares is to be redeemed or purchased, the number thereof to

be redeemed or purchased; and (B) the Redemption Date on which the holder desires to have Pathway redeem or purchase such shares.

- (b) Unless waived by Pathway, the Redemption Date shall not be less than 30 days after the day on which the request in writing is given to Pathway. Upon receipt of a share certificate or certificates representing the Pathway Preferred Shares which the registered holder desires to have Pathway redeem or purchase together with such a request, Pathway shall on the Redemption Date redeem such Pathway Preferred Shares by paying to such registered holder the Redemption Price per Preferred Share for each such share being redeemed or purchased plus all declared but unpaid dividends thereon. Such payment shall be made by cheque payable at par at any branch of Pathway's bankers for the time being in Canada. If only part of the shares represented by any certificate(s) be redeemed or purchased a new certificate for the balance shall be issued at the expense of Pathway. Such Pathway Preferred Shares shall be redeemed or purchased on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of holder of Pathway Preferred Shares in respect thereof unless payment of the Redemption Price per Pathway Preferred Shares plus all declared but unpaid dividends thereon is not made on the Redemption Date, in which event the rights of the holder of the said Pathway Preferred Shares shall remain unaffected.
- (c) In the event that a redemption or purchase by Pathway of those Pathway Preferred Shares specified in the written notice given to it by a holder of the Pathway Preferred Shares pursuant to the provisions of item (i) above cannot be complied with without contravening a provision of provisions of the CBCA or some other applicable legislation, then Pathway shall only redeem or purchase, as the case may be, such proportion (if any, and disregarding fractions) of the issued and outstanding Pathway Preferred Shares held by each holder thereof as can be redeemed or purchased without causing such contravention and Pathway shall redeem or purchase the balance of the Pathway Preferred Shares in respect of which Pathway has received notices for redemption or purchase on a pro rata basis, disregarding fractions, at such time or times as such redemption or purchase can be made without causing Pathway to be in contravention of the CBCA or some other applicable legislation.

Fair Market Value Adjustment

- (a) If it is determined at any time subsequent to the date of issue of a Pathway Preferred Share and prior to its redemption or purchase by Pathway, that the Redemption Price of such share exceeded or was exceeded by the fair market value as at such date of the consideration received therefor, then: (A) if the Redemption Price exceeded the fair market value of the consideration, as and from such determination the Redemption Price shall be reduced by the amount required to eliminate such excess; and (B) if the Redemption Price is exceeded by the fair market value of the consideration, as and from such determination the Redemption Price shall be increased by the amount required to eliminate such excess or Pathway shall forthwith issue that number of Pathway Preferred Shares of such class as may be required to eliminate such excess.
- (b) If it is determined at any time subsequent to the date of issue of a Pathway Preferred Share and subsequent to its redemption or purchase by Pathway, that the Redemption Price of that share exceeded or was exceeded by the fair market value of the consideration as at such date, then: (A) if the Redemption Price exceeded the fair market value of the consideration, the holder of that Pathway Preferred Share shall forthwith pay to Pathway an amount equal to such excess; and (B) if the Redemption Price is exceeded by the fair market value of the consideration, then Pathway shall forthwith pay to the holder of that Pathway Preferred Share an amount equal to such excess or shall issue that number of Pathway Preferred Shares as may be required to eliminate such excess.

Convertible Debentures

2019 Convertible Debentures

As part of the purchase price of the TCNC Asset Acquisition, Pathway assumed unsecured convertible debentures in the amount of \$50,000 and \$100,000. The \$50,000 and \$100,000 debentures mature on August 2021 and October 2021, respectively.

The debentures bear interest at 10% per annum with accrued interest due at the end of the term. Pursuant to the terms of the debentures, Pathway will have the option to satisfy the principal and interest payments through the issuance of Class E Preferred Shares.

The debentures are convertible into Class E Preferred Shares of Pathway at an amount equal to 75% of the price or deemed price of the Class E Preferred Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a qualified financing or liquidity event. A qualified financing is the issuance of Class E Preferred Shares in a transaction or series of related transactions resulting in aggregate gross proceeds to Pathway of at least \$10,000,000, excluding conversion of the debentures and any other indebtedness. A liquidity event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of Pathway, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of Pathway followed by dividends or distributions or such other transaction as is determined to be a liquidity event by Pathway's board of directors.

The debentures are redeemable at the option of Pathway on or after that date which is 12 months from the issue date of such debenture, and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice.

2020 Convertible Debentures

As part of the purchase price of the TCNC Asset Acquisition, Pathway assumed \$2,311,000 principal and \$22,065 in accrued interest in unsecured convertible debentures. The unsecured convertible debentures mature 12 months from issuance and bear interest at 10% per annum with interest due at the end of the term. Pathway has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Class E Preferred Shares of Pathway on the date which is: (i) the closing date of the TCNC Asset Acquisition; (ii) immediately prior to closing the Transaction; or (iii) by mutual agreement between the holder and Pathway if the TCNC Asset Acquisition is completed but the Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Class E Preferred Shares of Pathway as established in the TCNC Asset Acquisition.

Convertible Notes

Hew Note

As part of the purchase price of the TCNC Asset Acquisition, Pathway assumed a secured convertible promissory note (the "**Hew Note**"), with a principal amount of \$1,150,000 and accrued interest of \$146,693. The Hew Note is secured by a general security agreement covering all present and after acquired property of Pathway and bears interest at 10%, compounded monthly, with interest due at the end of the term. The Hew Note matures on June 30, 2021 and is convertible into Class E Preferred Shares of Pathway at an amount equal to 90% of the market price at the time of conversion. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to a liquidity event, qualified financing or change of control.

NACM Note

As part of the purchase price of the TCNC Asset Acquisition, Pathway assumed the NACM Note. The NACM Note was amended and restated, such that the NACM Note is convertible into Class E Preferred Shares of Pathway upon the occurrence of a liquidity event, on or prior to the maturity date. See "*Information Concerning Pathway – General Development of the Business – History – 2020 – Medical Cannabis Management Program*".

NMI Note

As part of the purchase price of the TCNC Asset Acquisition, Pathway assumed the NMI Note. The NMI Note was amended and restated, such that the NMI Note is convertible into Class E Preferred Shares of Pathway at

Pathway's sole discretion and upon 30 days written notice, on or prior to the maturity date. See *"Information Concerning Pathway – General Development of the Business – History – 2020 – Nature Medic Inc."* for more details.

CONSOLIDATED CAPITALIZATION

The following table summarizes Pathway's consolidated capitalization as at the date of this Filing Statement.

Description	Amount Authorized	Amount outstanding as at the date hereof
Bridge Notes ⁽¹⁾	N/A	\$750,000
Pathway Common Shares	Unlimited	150,001
Pathway Class B Shares	Unlimited	Nil
Pathway Class C Preferred Shares	Unlimited	10,093,484
Pathway Class D Preferred Shares	Unlimited	41,545,226
Pathway Class E Preferred Shares ⁽²⁾	Unlimited	10,864,108
Broker Warrants	2,096,228	2,096,228
Subscription Receipts	27,600,000	27,600,000

Notes:

- (1) Effective March 23, 2021, Pathway borrowed \$750,000 from certain accredited investors. See *"Information Concerning Pathway – General Development of the Business – History – 2021 – Bridge Notes"*.
- (2) Reflects the number of Pathway Class E Preferred Shares issuable upon the conversion of certain TCNC debt instruments assumed by Pathway as part of the TCNC Asset Acquisition. See *"Information Concerning Pathway – General Development of the Business – History"*.

PRIOR SALES

There is no public market for the Pathway Shares. Since incorporation, Pathway Shares have been issued as follows:

Date	Number of Securities	Issue/Exercise Price Per Security	Aggregate Issue Price
September 18, 2020	1 Pathway Common Share ⁽¹⁾	\$1.00	\$1.00
January 18, 2021	10,093,484 Pathway Class C Preferred Shares ⁽²⁾	\$0.50	\$5,046,742
January 18, 2021	41,545,226 Pathway Class D Preferred Shares ⁽²⁾	\$0.50	\$20,772,613
March 16, 2021	150,000 Common Shares ⁽³⁾	\$0.50 (deemed)	\$75,000 (deemed)
March 16, 2021	27,600,000 Subscription Receipts ⁽³⁾	\$0.50	\$13,800,000
May 31, 2021	10,864,108 Pathway Class E Preferred Shares ⁽⁴⁾	\$0.40 ⁽⁵⁾	\$4,389,869

Notes:

- (1) The initial Pathway Common Share issued to Cura-Can upon incorporation was subsequently transferred to TCNC pursuant to a share purchase and sale agreement dated January 18, 2021 between Cura-Can and TCNC.
- (2) Issued in connection with the TCNC Asset Acquisition. See *"Information Concerning Pathway – General Development of the Business – History"*.
- (3) Issued in connection with the Subscription Receipt Offering. See *"Subscription Receipt Offering"*.
- (4) Issued upon the conversion of the convertible debentures and convertible notes. See *"Information Concerning Pathway – Description of Securities – Convertible Debentures"* and *"Information Concerning Pathway – Description of Securities – Convertible Notes"*.
- (5) Represents the average conversion price considering the discount to market between 0%-25% on a share conversion price of \$0.50/share.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

To date, Pathway has not completed a fiscal year of operations and has not instituted any formal executive compensation policies or programs. As a result, the below compensation discussion describes the executive compensation of TCNC for the year ended December 31, 2019.

The discussion below sets out TCNC's philosophy, objectives and processes regarding compensation for the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the President, and the Chief Strategy Officer ("CSO") (each a "Named Executive Officer" or a "NEO" and collectively, the "Named Executive Officers" or "NEOs"). It explains how decisions regarding executive compensation are made and the reasoning behind these decisions and discusses the key elements of TCNC's compensation program. For the year ending December 31, 2019, TCNC had the following Named Executive Officers:

- Michael Steele – Chief Executive Officer
- Ken Yoon – acting Chief Financial Officer
- Wayne Cockburn – President
- Kim Wei – Chief Strategy Officer

Elements of TCNC's compensation program

TCNC's compensation program is comprised of three elements: base fee or salary, discretionary cash bonuses and long-term incentive compensation in the form of stock options.

The objective of TCNC's compensation program

TCNC's compensation programs has been designed with the following objectives:

- Provide market competitive compensation levels necessary to attract and retain high quality executive officers;
- Align the interests of executive officers with those of future shareholders;
- Reward executive officers for their individual and collective contributions to the Corporation's success; and
- Incorporate sound risk management principles and high standards of good governance.

What TCNC's compensation program is designed to reward

TCNC's compensation program is designed to reward senior management for achieving TCNC's business objectives as well as increases in TCNC shareholder value due to increased value or potential value in TCNC's business.

Why TCNC chooses to pay each element of its compensation program

TCNC pays a base salary as part of its compensation program to: (i) provide each NEO with sufficient, regularly-paid income; (ii) recognize each NEO's unique value and historical contribution to the success of the Pathway; and (iii) reflect each NEO's position and level of responsibility.

TCNC grants options as part of its compensation program in order to: (i) align each NEO's interests with the interests of TCNC shareholders; (ii) reward long-term performance by allowing NEOs to participate in any long-term market appreciation of the TCNC shares; and (iii) ensure the TCNC is competitive with its comparable industry peers from a total remuneration standpoint and to encourage executive officer retention, commitment and focus on long-term growth.

TCNC may pay cash bonuses to NEOs as part of the regular compensation program; however, no cash bonuses have been paid to NEOs.

How TCNC determines the amount for each element and how each element affects decisions about other elements and fits into TCNC's overall compensation objectives

The TCNC board of directors determines the amount of each element of the TCNC's compensation program for NEOs based on a review of market trends and established comparator companies. The principal elements of the compensation program are determined and affect decisions about other elements and fit into TCNC's overall compensation strategy, as described below.

Base Salaries. The TCNC board of directors considers some or all of the following factors when making decisions regarding base salaries: (i) the overall performance of TCNC and the particular NEO; (ii) base salaries and overall compensation paid to senior management of comparable industry peers (without specific benchmarking); (iii) the relationship among base salaries paid within TCNC and individual experience and contribution; (iv) TCNC's financial condition; (v) other compensation received by the NEO; and (vi) competition for qualified personnel. The intent is to fix base salaries at levels that are consistent with TCNC's compensation program objective.

Short-term incentives. The TCNC board of directors considers some or all of the following factors when making decisions regarding discretionary cash bonus: (i) the overall performance of TCNC and the particular NEO; (ii) short term incentives and overall compensation paid to senior management of comparable industry peers (without specific benchmarking); (iii) the relationship among short term incentives paid within TCNC and individual experience and contribution; (iv) TCNC's financial condition; (v) other compensation received by the NEO; and (vi) competition for qualified personnel. The intent is to create a link between pay and performance to encourage and reward those individuals' contributions in producing results and to incentivize individuals to work as a team to achieve corporate results and strategic initiatives

Stock Options. The TCNC board of directors considers some or all of the following factors when making decisions regarding stock options: (i) the overall performance of TCNC and the particular NEO; (ii) the relationship among stock options granted within TCNC and individual experience and contribution; (iii) TCNC's financial condition; and (iv) the aggregate number of options outstanding and the number of options currently held by the particular NEO and the terms thereof. The intent is to fix stock option grants at levels that are consistent with the TCNC's compensation program objective. The TCNC Board also considers the number of options available for grant in determining whether to make any new grants of stock options and the size of such grants.

TCNC's executive compensation is not determined by reference to any formulas or any set performance goals or similar conditions. The TCNC Board believe that fixed formulas can lead to an unwanted result that does not reflect real performance. Accordingly, an overall review of the NEO's performance and contributions is preferred.

Hedging Activities

TCNC has no formal hedging policy in place with respect to purchases of securities by NEOs or directors designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such individuals, to TCNC's knowledge, no NEO or director has hedged economic value of his direct or indirect interests in the market value of the TCNC shares so held or granted as compensation.

Risk Assessment and Oversight

The TCNC board of directors is keenly aware of the fact that compensation practices can have unintended risk consequences. The TCNC board of directors continuously reviews the TCNC's compensation policies to identify any practice that might encourage an employee to expose TCNC to unacceptable risks. At the present time, the TCNC board of directors is satisfied that the current executive compensation program does not encourage the TCNC executives to expose the business to inappropriate risk. The Pathway board of directors takes a conservative approach to executive compensation rewarding individuals for the success of TCNC once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

Summary Compensation Table

The following table sets forth information respecting the total compensation paid to the TCNC Named Executive Officers for the years ending December 31, 2020, 2019 and December 31, 2018:

Name and Principal Position	Year Ended December 31	Salary (\$)	Share-based Awards (\$)	Non-equity incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation ⁽¹⁾ (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-term Incentive Plans			
Michael Steele <i>CEO, Director</i>	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ken Yoon <i>Acting CFO</i>	2020 ⁽²⁾	137,500	Nil	Nil	Nil	Nil	13,453	150,953
	2019 ⁽²⁾⁽³⁾	105,103	Nil	Nil	Nil	Nil	8,908	144,011
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Wayne Cockburn <i>President</i>	2020	175,000	Nil	Nil	Nil	Nil	28,704	203,704
	2019 ⁽⁴⁾	145,833	Nil	Nil	Nil	Nil	21,000	166,833
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Kim Wei <i>CCO</i>	2020	175,000	Nil	Nil	Nil	Nil	28,704	203,704
	2019 ⁽⁵⁾	165,833	Nil	Nil	Nil	Nil	21,000	186,833
	2018 ⁽⁵⁾	100,000	Nil	Nil	Nil	Nil	20,000	120,000

Notes:

- (1) Includes a car allowance and costs of health and wellness benefits paid.
- (2) Represents the portion of Mr. Yoon's compensation paid by TCNC.
- (3) Represents a partial year as Mr. Yoon's effective date of employment with TCNC commenced on March 27, 2019.
- (4) Represents a partial year as Mr. Cockburn commenced employment with TCNC on March 1, 2019.
- (5) Includes consulting fees paid to 1749945 Ontario Inc., a holding company controlled by Mr. Wei prior to the commencement of his employment with TCNC. Mr. Wei commenced employment with TCNC on March 1, 2019.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

As at the date hereof, Pathway has not adopted a share option plan or issued any options. Upon completion of the Transaction, Pathway may issue options pursuant to the Resulting Issuer share option plan. See "*Information Concerning the Resulting Issuer – Options to Purchase Securities*" for further details.

Pathway Executive Employment Agreements

Aura Balboa – Chief Financial Officer

On December 1, 2020, Pathway entered into an executive employment agreement with Aura Balboa, pursuant to which Ms. Balboa agreed to act as the Chief Financial Officer ("CFO") of Pathway. Under the terms of the agreement, Ms. Balboa is entitled to the following compensation: (1) base salary of \$175,000 per annum, (2) signing bonus of \$15,000 and the number of Pathway Common Shares representing \$15,000 in value as consideration for the employment agreement, (3) eligibility to participate in Pathway's annual bonus plan, if such plan is adopted by Pathway, (4) eligibility to participate in Pathway's stock option plan, (5) participation in Pathway's group benefit plan, (6) twenty days of paid vacation per year, increasing by one day per year for every completed year of employment up to a maximum of twenty-five days per year, and (7) a taxable car allowance of \$5,000 per annum.

In the event that Ms. Balboa's employment is terminated by Pathway other than for cause; Ms. Balboa shall be entitled to either (i) twelve months plus any severance pay required under the Ontario *Employment Standards Act* (the "**Act**") (if applicable), or (ii) twelve months inclusive of any severance pay required under the Act (if applicable), or (iii) a combination of working notice and payment in lieu of such notice adding up to a combined twelve months plus any additional termination pay and severance pay required under the Act (if applicable) if the payment in lieu of notice portion does not satisfy the legal entitlements under the Act. If Pathway elects to provide Ms. Balboa with payments in lieu of notice under options (ii) and (iii) above, Pathway may, to the extent permitted by the Act, pay such payments in lieu of notice by equal installment through payroll, or by way of a lump sum. As of December 31, 2020, this obligation would have represented \$181,223. In addition, subject to plan terms, Ms. Balboa's group benefits shall continue for twelve months after termination.

Kim Wei – Chief Commercialization Officer

On January 18, 2021, Pathway entered into an executive employment agreement with Kim Wei, pursuant to which Mr. Wei agreed to act as the Chief Commercialization Officer ("**CCO**") of Pathway. Under the terms of the agreement, Mr. Wei is entitled to the following compensation: (1) an annual salary of \$175,000, which will increase to \$225,000 on the date that follows completion or satisfaction of the following three conditions: (i) closing of the Subscription Receipt Offering; (ii) closing of the Transaction; and (iii) execution of a new employment agreement with the Resulting Issuer; (2) eligibility to participate in Pathway's annual bonus plan, if such plan is adopted by Pathway, (3) eligibility to participate in Pathway's stock option plan, (4) participation in Pathway's group benefit plan, (5) twenty days of paid vacation per year, increasing by one day per year for every completed year of employment up to a maximum of twenty five days per year, plus a one-time \$13,570 in vacation accrual transferred from TCNC, (6) ten days of paid sick leave per year, and (7) a travel allowance of \$24,000 to cover all business-related expenses for all travel in Ontario, including any highway toll fees and cellular phone fees.

In the event that Mr. Wei's employment is terminated by Pathway other than for cause; Mr. Wei shall be entitled to either (i) twelve months plus any severance pay required under the Ontario *Employment Standards Act* (the "**Act**") (if applicable), or (ii) twelve months inclusive of any severance pay required under the Act (if applicable), or (iii) a combination of working notice and payment in lieu of such notice adding up to a combined twelve months plus any additional termination pay and severance pay required under the Act (if applicable) if the payment in lieu of notice portion does not satisfy the legal entitlements under the Act. If Pathway elects to provide Mr. Wei with payments in lieu of notice under options (ii) and (iii) above, Pathway may, to the extent permitted by the Act, pay such payments in lieu of notice by equal installment through payroll, or by way of a lump sum. As of December 31, 2020, this obligation would have represented \$216,608. In addition, subject to plan terms, Mr. Wei's group benefits shall continue for twelve months after termination.

Wayne Cockburn - President

On January 18, 2021, Pathway entered into an executive employment agreement with Wayne Cockburn, pursuant to which Mr. Cockburn agreed to act as the President of Pathway. Under the terms of the agreement, Mr. Cockburn is entitled to the following compensation: (1) an annual salary of \$175,000, (2) eligibility to participate in Pathway's annual bonus plan, if such plan is adopted by Pathway, (3) eligibility to participate in Pathway's stock option plan, (4) participation in Pathway's group benefit plan, (5) twenty days of paid vacation per year, increasing by one day per year for every completed year of employment up to a maximum of twenty five days per year, plus a one-time \$8,265 in vacation accrual transferred from TCNC, (6) ten days of paid sick leave per year, and (7) a travel allowance of \$24,000 to cover all business-related expenses for all travel in Ontario, including any highway toll fees and cellular phone fees.

In the event that Mr. Cockburn's employment is terminated by Pathway other than for cause; Mr. Cockburn shall be entitled to either (i) twelve months plus any severance pay required under the Ontario *Employment Standards Act* (the "**Act**") (if applicable), or (ii) twelve months inclusive of any severance pay required under the Act (if applicable), or (iii) a combination of working notice and payment in lieu of such notice adding up to a combined twelve months plus any additional termination pay and severance pay required under the Act (if applicable) if the payment in lieu of notice portion does not satisfy the legal entitlements under the Act. If Pathway elects to provide Mr. Cockburn with payments in lieu of notice under options (ii) and (iii) above, Pathway may, to the extent permitted by the Act, pay such payments in lieu of notice by equal installment through payroll, or by way of a lump sum. As of

December 31, 2020, this obligation would have represented \$206,458. In addition, subject to plan terms, Mr. Cockburn's group benefits shall continue for twelve months after termination.

Following completion of the Transaction, the executive employment agreements for Aura Balboa, Kim Wei, and Wayne Cockburn will continue on with the Resulting Issuer, subject to review and approval by the independent directors of the Resulting Issuer.

DIRECTOR COMPENSATION

Michael Steele is the sole director of TCNC, who also acts as a Named Executive Officer. For the year ending December 31, 2019, Michael Steele did not receive any compensation for his role as director of TCNC, nor did he receive any compensation paid by TCNC for services rendered in his capacity as Chief Executive Officer.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Other than pursuant to the Asset and Share Purchase Agreement as described herein, there has been no acquisition of assets or services or provision of assets or services in any transaction within the five years before the date of this Filing Statement, or in any proposed transaction, where Pathway has obtained such assets or services from: (a) any director, officer or promoter of Pathway; (b) a securityholder disclosed in the Filing Statement as a principal securityholder, either before or after giving effect to the Transaction; or (c) an Associate or Affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

LEGAL PROCEEDINGS

There are no legal proceedings to which Pathway or a subsidiary of Pathway is a party, or of which any of their respective property is the subject matter, and no such proceedings known to Pathway are contemplated.

MATERIAL CONTRACTS

Pathway has not entered into any material contracts and is not expected to enter into any material contracts prior to completion of the Transaction, other than:

- (a) the Asset and Share Purchase Agreement (see "*Information Concerning Pathway – General Development of the Business*");
- (b) the Agency Agreement in connection with the Subscription Receipt Financing (see "*Subscription Receipt Financing*" above);
- (c) the Subscription Receipt Agreement (see "*Subscription Receipt Financing*" above);
- (d) the Bridge Notes (see "*Information Concerning Pathway – General Development of the Business – History – 2021 – Bridge Notes*");
- (e) letter of agreement dated February 1, 2021 between Howard and Pathway (see "*Information Concerning the Resulting Issuer – Indebtedness of the Resulting Issuer's Directors and Officers – Investor Relations Arrangements – The Howard Group Inc.*");
- (f) the Share Exchange Agreement (see "*Information Concerning Colson – Description of the Qualifying Transaction*").

INFORMATION CONCERNING THE RESULTING ISSUER

CORPORATE STRUCTURE

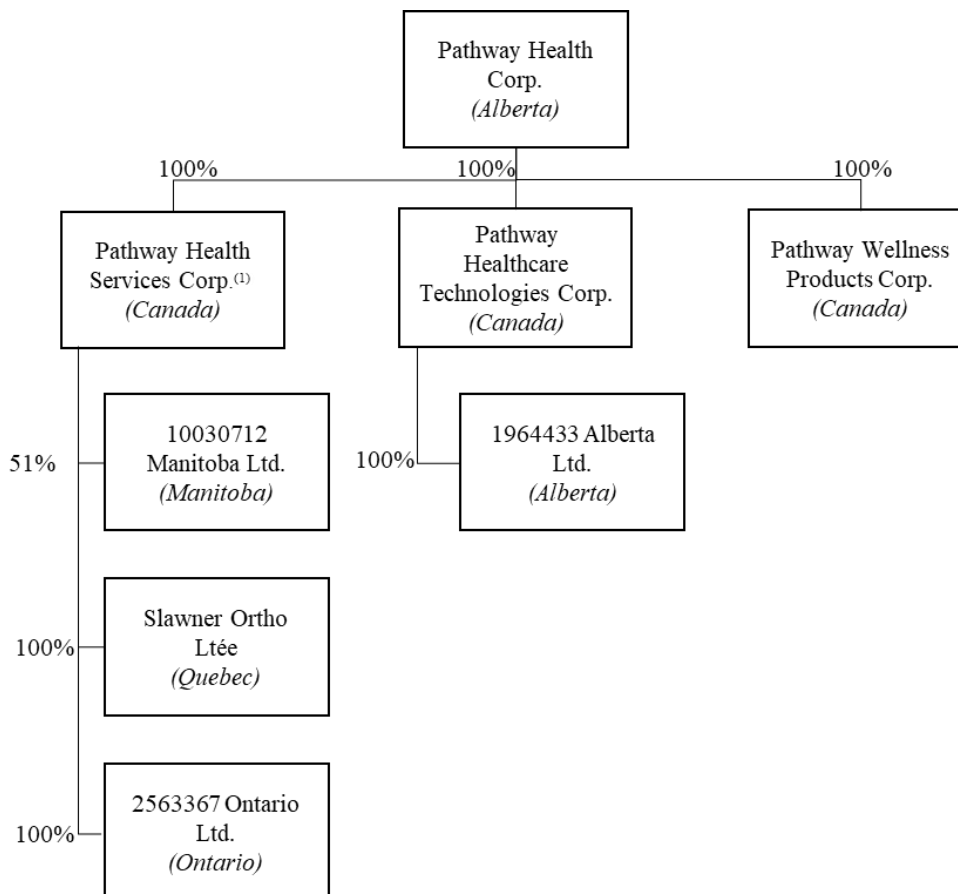
Name and Incorporation

Following completion of the Transaction, and subject to approval of the Colson Shareholders, the Resulting Issuer will be called “Pathway Health Corp.” and will continue to be incorporated under the ABCA as the Resulting Issuer is not amalgamating or continuing into another jurisdiction in connection with the Transaction.

The articles of incorporation of the Resulting Issuer will be amended in connection with the Transaction to complete the Name Change. It is anticipated that the Resulting Issuer will file articles of amendment to change its name immediately prior to the Effective Date.

Intercorporate Relationships

The material subsidiaries controlled by the Resulting Issuer following completion of the Transaction, the place of incorporation or continuance of those subsidiaries and the percentage of voting securities held, directly or indirectly, by the Resulting Issuer, are as follows:



Note:

- (1) Upon completion of the Transaction, the entity named “Pathway Health Corp.” as of the date of this Filing Statement, will be renamed “Pathway Health Services Corp.” or such other name as the Pathway Board may approve. TCNC is a wholly-owned subsidiary of Cura-Can.

NARRATIVE DESCRIPTION OF THE BUSINESS

The following disclosure contains forward-looking statements, including with respect to the Resulting Issuer's business objectives and milestones. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth elsewhere in this Filing Statement that could cause results to differ materially from those described or anticipated in such forward-looking statements. See "Cautionary Statements Regarding Forward-Looking Information" and "Risk Factors".

Business Objectives and Milestones of the Resulting Issuer

Following completion of the Transaction, the Resulting Issuer will carry on the business currently carried on by Pathway. See "Information Concerning Pathway - Narrative Description of the Business", and "Information Concerning the Resulting Issuer – Resulting Issuer Available Funds and Principal Purposes".

Pathway's business objectives over the next 24 months are as follows:

- re-brand pain and medical cannabis services through direct-to-physician campaigns, digital marketing, search engine optimization (SEO) and customer relationship management (CRM) development;
- continue rollup of medical cannabis clinics through acquisitions;
- acquire or open up clinics 5 additional chronic pain clinics in British Columbia, Alberta, Nova Scotia and New Brunswick;
- in partnership with strategic partners, develop, have manufactured, and launch proprietary cannabinoid based products;
- add further functionality to Spark Software to support strategic initiative of the current principal business divisions by facilitating the efficient execution on MCMS for pharmacy and PLP programs, by automating business process to reduce resource requirements and costs, as well as by facilitate scaling of the business with minimal additional headcount or consultants by leveraging technology; and
- rollout of MCMS program with corporate pharmacy partners.

Following completion of the Transaction, the Resulting Issuer's strategy will be to create shareholder value by achieving the following milestones:

Milestone	Forecasted Date ⁽¹⁾	Estimated Associated Costs
Investment in capital assets and expansion of clinics	0-24 months	\$2,080,000
Investment in potential acquisitions and product and service expansion	0-24 months	\$1,000,000
Investment in technology	0,24 months	\$300,000
Establish and/or expand pharmacy distribution channels	0-24 months	\$500,000
Develop, brand and distribute specialized health products	0-24 months	\$1,500,000 ⁽²⁾

Notes:

- (1) Estimated time for completion is provided from the date of this Filing Statement.
- (2) Estimated funds above those allocated to principal uses of available funds are expected to come from working capital available upon completion of the Transaction, cash flows generated from operations during the fiscal years 2021 and 2022 or from other future sources of financing.

DESCRIPTION OF RESULTING ISSUER SECURITIES

The authorized share capital of the Resulting Issuer following completion of the Transaction shall have the same characteristics as those of Colson. The issued share capital of the Resulting Issuer will change as a result of completion of the Transaction to reflect the issuance of the Resulting Issuer Shares contemplated under the Share Exchange Agreement. See “*Information Concerning Colson – Description of Securities*” above.

Following completion of the Transaction, the Resulting Issuer Shares are expected to be listed on the TSXV under the trading symbol "PHC".

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the *pro forma* consolidated capitalization of the Resulting Issuer as at the date hereof, both before and after giving effect to the Transaction:

Designation of Security	Number Authorized or to be Authorized	Number Outstanding Prior to Giving Effect to the Transaction	Number Outstanding After the Transaction
Resulting Issuer Shares	Unlimited	2,856,171 ⁽¹⁾	93,108,990
Bridge Notes	N/A	\$750,000	\$750,000

Note:

- (1) After giving effect to the Share Consolidation and subject to minor deviation as a result of the effect of rounding at the individual shareholder level.
- (2) Please refer to the pro forma financial statements attached as Schedule “K” hereto for information concerning changes in equity on a consolidated basis.

FULLY DILUTED SHARE CAPITAL

In addition to the information set out in the *pro forma* Resulting Issuer capitalization table above, the following table sets out the *pro forma* fully diluted share capital of the Resulting Issuer after giving effect to the Transaction, and the percentage of the fully-diluted shares which each category represents.

Resulting Issuer Pro Forma Shareholdings	Resulting Issuer Shares	Percentage of Total
Resulting Issuer Shares held by existing Colson Shareholders:	2,856,171	3.1%
Resulting Issuer Shares issued in exchange for Pathway Common Shares	1	0%
Resulting Issuer Shares issued in exchange for Pathway Class B Shares	Nil	0%
Resulting Issuer Shares issued in exchange for Pathway Class C Preferred Shares	10,093,484	10.8%
Resulting Issuer Shares issued in exchange for Pathway Class D Preferred Shares	41,545,226	44.6%
Resulting Issuer Shares issued in exchange for convertible notes ⁽¹⁾	3,944,385	4.2%
Resulting Issuer Shares issued in exchange for convertible debentures ⁽²⁾	6,919,723	7.4%
Resulting Issuer Shares issuable to holders of Subscription Receipts	27,600,000	29.6%
Resulting Issuer Shares to be issued to Agents ⁽³⁾	150,000	0.2%
Total non-diluted share capital of the Resulting Issuer:	93,108,990	100%

Resulting Issuer Pro Forma Shareholdings	Resulting Issuer Shares	Percentage of Total
Resulting Issuer Shares Issuable to Holders of:		
Resulting Issuer Replacement Warrants issued to former holders of Pathway Warrants	13,800,000	12.2%
Resulting Issuer Replacement Warrants issued to former holders of Broker Warrants	2,096,228	1.8%
Resulting Issuer Options	4,200,000	3.7%
Contingent earn out ⁽⁴⁾	292,000	0.3%
Total fully diluted capital of the Resulting Issuer:	113,497,218	

Notes:

- (1) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$1,600,000 principal amount of convertible notes of Pathway (including interest accrued to May 31, 2021). Pursuant to the terms of the convertible notes, immediately prior to the completion of the Transaction, the notes will convert into Class E Preferred Shares of Pathway, and the resulting holders of Pathway Class E Preferred Shares will receive Resulting Issuer Shares on the same basis as the other holders of Pathway Shares upon completion of the Transaction. See “*Information Concerning Pathway – Description of Securities – Convertible Notes*”.
- (2) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$2,461,000 of convertible debentures of Pathway (including principal and accrued interest to May 31, 2021). Pursuant to their terms, the convertible debentures are convertible into Pathway Class E Preferred Shares immediately prior to the completion of the Transaction at a 10%-25% discount to the deemed market price of such shares as at the time of conversion (being \$0.50), and the resulting holders of Pathway Class E Preferred Shares will receive Resulting Issuer Shares on the same basis as the other holders of Pathway Shares upon completion of the Transaction. See “*Information Concerning Pathway – Description of Securities – Convertible Debentures*”.
- (3) Reflects the number of Resulting Issuer Shares issuable upon the exchange of the Pathway Shares issued to the Agents as a portion of the corporate finance fee in connection with the Subscription Receipt Offering.
- (4) Reflects the number of Resulting Issuer Shares that may be issuable as contingent consideration payable by Pathway in the event that certain financial metrics are met, in accordance with the terms of (i) the first amended and restated convertible grid promissory note dated January 18, 2021 between Pathway and NACM Management Ltd.; and (ii) the assumption and amending agreement dated January 18, 2021 between Pathway and National Access Canada Corporation. The Resulting Issuer Shares would be issued at the 5-day volume weighted average price calculated on June 24, 2021. The fair value of the contingent consideration is \$146,000 based on Pathway’s estimate of the performance targets being achieved. The estimated conversion price of \$0.50 per Resulting Issuer Share.

RESULTING ISSUER AVAILABLE FUNDS AND PRINCIPAL PURPOSES

The following table sets out the estimated funds available to the Resulting Issuer on a consolidated basis after giving effect to the Transaction. The amounts shown in the table are estimates only and are based upon the information available to Pathway and Colson as of the date hereof:

Source of Funds	Following Completion of the Transaction
Pro-forma Colson working capital as at April 30, 2021	\$250,000
Pro-forma Pathway working capital as at April 30, 2021 ⁽¹⁾	\$(199,000)
Net Proceeds from the Subscription Receipt Offering	\$12,580,886
Net Proceeds from the Bridge Notes	\$750,000
Total available funds:	\$13,381,886

Note:

- (1) Working capital estimate excludes related party payables, lease liability and assumes liability instruments acquired as part of the TCNC Asset Acquisition have been converted. Working capital figure does not include contingent convertible note payment (\$210,000). Management assumes this amount will be converted into Resulting Issuer Shares at maturity in June 2021.

The following table sets out the proposed use of the available funds by the Resulting Issuer during the 18 month period following the Transaction:

Principal Uses of Available Funds	Following Completion of the Transaction
Expenses related to Qualifying Transaction ⁽¹⁾	\$500,000
Repayment of related party loan ⁽²⁾	\$4,855,301
Develop, brand and distribute specialized health products	\$650,000
Investment in capital assets and expansion of clinics	\$2,080,000
Investment in potential acquisitions and product and service expansion ⁽³⁾	\$1,000,000
Investment in technology (which can include virtual care platforms, telemedicine)	\$300,000
Repayment of Bridge Notes	\$845,625 ⁽⁴⁾
General and administrative expenses	\$1,055,901
Establish and/or expand pharmacy distribution channels	\$500,000
Unallocated working capital	\$1,595,059
Total uses of funds:	\$13,381,886

Notes:

- (1) Includes legal, audit, regulatory, commission and other expenses related to the completion of the Transaction.
- (2) Repayment of the non-interest bearing promissory note issued to TCNC as part of the Asset and Share Purchase Agreement.
- (3) Includes expenses related to executing the Resulting Issuer's growth strategy to expand its service and product offerings.
- (4) Repayment of Bridge Notes includes the 10% loan fee and 10% interest for 3 months. See "*Information Concerning Pathway – General Development of the Business – History – 2021 – Bridge Notes*".

Based on current projections, the Resulting Issuer's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 12 months commencing immediately after the completion of the Transaction, and that the Resulting Issuer will have an additional \$1,595,059 of unallocated funds. Notwithstanding the proposed use of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. See "*Forward Looking Information*".

Dividend Policy

There will be no restrictions in the Resulting Issuer's articles or other constituting documents that could prevent the Resulting Issuer from paying dividends. However, it is not contemplated that any dividends will be paid on any Resulting Issuer Shares in the immediate future. The Resulting Issuer Board will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the time.

SELECTED PRO FORMA FINANCIAL INFORMATION

The following table sets out a summary of selected pro forma financial information for the Resulting Issuer as at December 31, 2020 after giving effect to the Transaction and should be read in conjunction with the *pro forma* financial statements and the notes thereto for the Resulting Issuer attached hereto as Schedule K:

Balance Sheet Data	As at December 31, 2020
Current assets	10,771,707
Other assets	5,446,918
Total assets:	16,218,625
Current liabilities	2,458,083
Other liabilities	2,655,013
Total liabilities:	5,113,096

Balance Sheet Data	As at December 31, 2020
Total shareholders' equity: (Deficiency)	11,105,529
Total liabilities and equity:	16,218,625

Resulting Issuer Principal Securityholders

To the knowledge of management of Colson and Pathway, no securityholder is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over more than 10% of any class of voting securities of the Resulting Issuer after giving effect to the Qualifying Transaction (on either a non-diluted or fully-diluted basis), other than the following individuals:

Name and Municipality of Residence	Number (and Percentage) of Resulting Issuer Shares Owned or Controlled
TCNC ⁽¹⁾⁽²⁾⁽³⁾	51,638,711

Notes:

- (1) TCNC is a wholly-owned subsidiary of Cura-Can.
- (2) Avonlea-Drewry Holdings Inc., a company of which Mr. Michael Steele (a proposed director of the Resulting Issuer) is a director and officer, owns or controls, 10,456,168 Class A Shares of Cura-Can representing 40.1% of the issued and outstanding shares of Cura-Can.
- (3) Mr. Kim Wei, a proposed officer of the Resulting Issuer, owns or controls, directly or indirectly, 2,649,641 Class A Shares of Cura-Can representing 10.2% of the issued and outstanding shares of Cura-Can.

RESULTING ISSUER OFFICERS, DIRECTORS AND PROMOTERS

Name, Address, Occupation and Resulting Issuer Security Holdings

The following table sets out (a) the name and municipality of each person proposed as a director or an officer of the Resulting Issuer, or a promoter of the Resulting Issuer, (b) all positions and offices in the Resulting Issuer to be held by such person, (c) the principal occupation(s) during the preceding five years, (d) the period during which such person has served as a director or officer of Pathway or Colson, and (e) the number and percentage of Resulting Issuer Shares to be beneficially owned by such person, directly or indirectly, or over which control or direction will be exercised, as of the date of the Transaction.

Name and Municipality of Residence	Principal Occupations for the Previous Five Years	Positions and Offices with the Resulting Issuer	Director/Officer Since	Number of Resulting Issuer Shares held upon Completion of the Transaction	Percent of Resulting Issuer Shares held upon Completion of the Transaction ⁽⁹⁾
Ken Yoon North York, ON	Acting CFO of Cura-Can Health Corp. and TCNC (2019 – present) Chief Financial Officer of Acerus Pharmaceuticals Corporation (2017 – 2018) Chief Financial Officer and VP of Corporate Development of Vive Crop Protection Inc. (2007 – 2017)	Chief Executive Officer and Corporate Secretary; Director	Proposed	50,000 ⁽²⁾	0.07%

Name and Municipality of Residence	Principal Occupations for the Previous Five Years	Positions and Offices with the Resulting Issuer	Director/ Officer Since	Number of Resulting Issuer Shares held upon Completion of the Transaction	Percent of Resulting Issuer Shares held upon Completion of the Transaction⁽⁹⁾
Aura Balboa Mississauga, ON	Director of Finance, and previously Finance Manager of Acerus Pharmaceuticals Corporation (2012 – 2018) Controller of Ironshore Pharmaceuticals Inc. (2017)	Chief Financial Officer	December 1, 2020	30,000	0.04%
Wayne Cockburn Mississauga, ON	Chief Executive Officer of Agility Health Inc. (2016 – 2019)	President	Proposed	183,867 ⁽³⁾⁽⁴⁾	0.21%
Kim Wei Mississauga, ON	Chief Strategy Officer, and previously Chief Operating Officer of The Clinic Network Canada Inc. (2016 – present)	Chief Commercial Officer	Proposed	200,000 ⁽⁵⁾	0.26%
Michael Steele ⁽¹⁾ Caledon Village, ON	Chief Executive Officer of Cura-Can Health Corp. and TCNC (2019 – present) President of Avonlea Ventures Inc. (1988 – present)	Chairman; Director	September 18, 2020	Nil	0%
Alison Wright ⁽¹⁾ Mississauga, ON	President of Alwright Investments Inc. (2012 – present)	Director	Proposed	Nil	0%
Kenneth Howling ⁽¹⁾ Toronto, ON	President of Pinnacle Financial Corp. (2015 – present)	Director	Proposed	69,204 ⁽⁶⁾	0.06%
Renee John Pickering, ON	VP of Clinic Operations of The Clinic Network Canada Inc. (2019 – present) VP of Operations of Medic Holdings Corp., an Agility Health Inc. affiliate (2016 – 2018)	VP Clinic Operations	Proposed	41,600 ⁽⁷⁾	0.04%
Pram Sandhu Toronto, ON	VP Medical Affairs and Partner Relations of The Clinic Network Canada Inc. (2020 – present) Clinical Pharmacist with Trillium Health Partners (2020 – present) VP Medical Operations and Business Optimization of Meta Growth Corp. (2018 – 2020) Director of Clinical Education with Solace Health (2017 – 2018)	VP Pharmacy Programs and Regulatory Affairs	Proposed	13,904 ⁽⁸⁾	0.01%

Name and Municipality of Residence	Principal Occupations for the Previous Five Years	Positions and Offices with the Resulting Issuer	Director/ Officer Since	Number of Resulting Issuer Shares held upon Completion of the Transaction	Percent of Resulting Issuer Shares held upon Completion of the Transaction ⁽⁹⁾

Notes:

- (1) Member of the Audit Committee.
- (2) 50,000 Resulting Issuer Shares and 25,000 Resulting Issuer Replacement Warrants indirectly owned or controlled through VectorGlobal IAG Canada ULC.
- (3) 100,000 Resulting Issuer Shares and 50,000 Resulting Issuer Replacement Warrants indirectly owned or controlled through VectorGlobal IAG Canada ULC.
- (4) 70,000 Resulting Issuer Shares issuable upon the conversion of \$25,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021) held directly and 13,867 Resulting Issuer Shares issuable upon the conversion of \$5,200 of convertible debenture of Pathway (including the interest accrued to May 31, 2021) held by spouse.
- (5) 50,000 Resulting Issuer Shares and 25,000 Resulting Issuer Replacement Warrants held directly and 150,000 Resulting Issuer Shares and 75,000 Resulting Issuer Replacement Warrants held by spouse.
- (6) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$25,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021).
- (7) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$15,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021).
- (8) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$5,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021).
- (9) Percentages on a fully-diluted basis.

For particulars of the occupations of the directors and officers see “*Information Concerning the Resulting Issuer – Principal Occupations and Experience of Proposed Directors and Officers*” below.

All directors of the Resulting Issuer will hold office until the next annual general meeting of the Resulting Issuer unless they resign prior thereto or are removed by the shareholders of the Resulting Issuer in accordance with applicable law.

The directors and officers of the Resulting Issuer as a group will own, directly or indirectly, or exercise control or direction over, 52,227,286 Resulting Issuer Shares (representing 56.1% of all of the issued and outstanding Resulting Issuer Shares on a non-diluted basis). This total includes the Resulting Issuer Shares to be held indirectly by Cura-Can through TCNC.

Principal Occupations and Experience of Proposed Directors and Officers

The following is a brief description of each of the proposed directors and officers of the Resulting Issuer (including details with regard to their principal occupations for the last five years).

Ken Yoon (53) – proposed Chief Executive Officer, Corporate Secretary and Director

Mr. Yoon has over 20 years of experience in advising, consulting, financing, investing in and building innovative private and public companies both as CFO and as an investment professional. Mr. Yoon joined PHC in Q2 2019 having worked most recently as CFO of Acerus Pharmaceuticals Corporation. Prior to Acerus, Mr. Yoon was CFO and Vice President of Corporate Development at Vive Crop Protection Inc. Mr. Yoon is a Chartered Professional Accountant /Chartered Accountant, holds a B.Sc. from University of Western Ontario, Law Degree from Queen’s University and MBA from the University of Toronto, and is the recipient of the Queen Elizabeth II Diamond Jubilee Medal.

It is expected that Mr. Yoon will devote up to 100% of his time to the affairs of the Resulting Issuer.

Aura Balboa (38) – proposed Chief Financial Officer

Ms. Balboa has over 15 years of finance and operations experience. Ms. Balboa began her career in public accounting with Deloitte. She then held a number of finance roles with increasing responsibilities at multiple pharmaceutical companies both in Canada and the U.S. Her most recent role was Director of Finance at Acerus Pharmaceuticals, a Canadian pharmaceutical company listed on the TSX. Ms. Balboa is a Chartered Professional Accountant / Chartered Accountant and holds a Bachelor of Commerce (Honours) from Queen's University.

It is expected that Ms. Balboa will devote up to 100% of her time to the affairs of the Resulting Issuer.

Wayne Cockburn (63) – proposed President

Mr. Cockburn has over 25 years of healthcare experience, including 20 years as a C-suite executive, specializing in strategic planning, corporate finance and capital market strategies, corporate partnering, corporate governance and mergers and acquisitions. Mr. Cockburn has also served on the board of directors of U.S. and Canadian private and public companies for more than 20 years.

It is expected that Mr. Cockburn will devote up to 100% of his time to the affairs of the Resulting Issuer, or such other time and expertise as may reasonably be required by the Resulting Issuer.

Kim Wei (62) – proposed Chief Commercial Officer

Mr. Wei has over 30 years of executive level leadership experience in healthcare. He has a track record for developing and delivering innovative allopathic and complementary medicine models in North America. Mr. Wei is a co-founder of The Clinic Network and has helped grow Pathway to be a Canadian delivery system with corporate and joint-venture clinics, in multiple healthcare disciplines. Mr. Kim has acted as a Director on multiple Canadian and international company Boards.

It is expected that Mr. Wei will devote up to 100% of his time to the affairs of the Resulting Issuer.

Michael Steele (63) – proposed Chairman and Director

Mr. Steele is an engineer and financier with over 30 years of experience in structured investments and new business start-ups. His company, Avonlea Holdings provides consulting, restructuring, finance and operational advice. Mr. Steele has provided consulting services to various industry sectors including real estate, mining, oil and gas, and recently the Canadian medical marijuana sector.

Since 2013 Mr. Steele has consulted to or provided financing to various companies in the Canadian medical cannabis industry including Canadian Cannabis Corp (OTC:CCAN), CURA-CANN Medical Corp, Maricann Group Inc. (CSE:MARI), and The Hydroapothecary Corporation. Mr. Steele was a previous director of Barkerville Gold Corp. (TSXV:BGM). Mr. Steele graduated from the University of Waterloo with a P.Eng (BASc) in civil engineering and received his MBA in 1981.

It is expected that Mr. Steele will devote 5-10% of his time to the affairs of the Resulting Issuer, or such other time and expertise as may reasonably be required by the Resulting Issuer.

Alison Wright (52) – proposed Director

Ms. Wright has over 20 years of management experience in the construction and property management industries. Ms. Wright was a director at Capform Inc., a full service concrete contractor based in Dallas, Texas, with projects throughout the southern United States. Currently, Ms. Wright is the President of Alwright Investments Inc., a Canadian property Management an investment company she founded in 2012. Ms. Wright has served as a director on several boards of private companies in both Canada and the United States.

Ms. Wright graduated from the University of Toronto in 1991 and holds a Bachelor of Science.

It is expected that Ms. Wright will devote 5-10% of her time to the affairs of the Resulting Issuer, or such other time and expertise as may reasonably be required by the Resulting Issuer.

Kenneth Howling (63) – proposed Director

Mr. Howling has over 25 years of healthcare industry experience in senior financial positions; including 11 years with Bausch Health (formerly Biovail Corporation), as Chief Financial Officer, and Senior Vice President, Finance and Corporate Affairs; five years as Chief Financial Officer of Acerus Pharmaceuticals Corporation; and five years as Chief Financial Officer with Pharma Patch PLC. During his career, Mr. Howling has contributed to the success of multiple start-up companies and has taken multiple companies through the IPO process.

Earlier in his career, Mr. Howling worked in senior financial management positions at Roberts Company Canada Limited, including roles of General Manager, Corporate Secretary and Controller, at GlaxoSmithKline (formerly Beecham Pharmaceuticals Ltd), and as an auditor with PricewaterhouseCoopers. Mr. Howling is a graduate of the ICD/Rotman Director Program and formerly a Certified Public Accountant (inactive license).

It is expected that Mr. Howling will devote 5-10% of his time to the affairs of the Resulting Issuer, or such other time and expertise as may reasonably be required by the Resulting Issuer.

Renee John (46) – proposed Vice President, Clinic Operations

Ms. John has over 20 years of experience in the healthcare industry in a variety of capacities and increasingly senior roles, including sales, business development, and operations. Prior to joining PHC, Ms. John was VP of Operations for Agility Health. For over a decade, she previously served as Director, Western CDA Sales and Operations at Shoppers Home Health Care, a division of Shoppers Drug Mart, where she was responsible for a diverse six figure portfolio. Ms. John holds an Executive MBA from the Ivey School of Business -University of Western Ontario.

It is expected that Ms. John will devote up to 100% of her time to the affairs of the Resulting Issuer.

Pram Sandhu (48) – proposed Vice President, Pharmacy Programs and Regulatory Affairs

Mr. Sandhu has over 20 years of experience in various facets of the healthcare sector. He is the former VP of Medical Operations and Business Optimization for National Access Cannabis Medical. Mr. Sandhu is also a practicing clinical pharmacist, who has a passion for developing innovative programs in regulated environments. In 2014, he was a recipient of the Trillium Health Partners Allied Health Professional Award. Mr. Sandhu holds a Professional Certificate in Cannabis Science and Medicine from the University of Vermont's Larner College of Medicine.

It is expected that Mr. Sandhu will devote up to 100% of his time to the affairs of the Resulting Issuer.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, no proposed director, officer or promoter of the Resulting Issuer:

- (a) is, as at the date of this Filing Statement, or has been, within 10 years before the date of this Filing Statement, a director, chief executive officer or chief financial officer of any company that:
 - (i) was subject to a cease trade order, or similar order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (each, an “**Order**”), that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

- (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date of this Filing Statement, or has been within 10 years before the date of this Filing Statement, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Howling was an officer of Biovail Corporation, a specialty pharmaceutical company, engaged in the formulation, clinical testing, registration, manufacture, and commercialization of pharmaceutical products. On October 1, 2003, a truck carrying a shipment of Biovail's antidepressant drug ("**WXL**") from a Biovail facility in Manitoba to a distributor in the United States ("**GSK**") was in an accident requiring it to return to Manitoba so the shipment could be inspected for damage. As a result, GSK did not receive the full shipment of WXL as anticipated. In the days, weeks and months after the accident, Biovail made press releases and statements on analyst calls attributing Biovail's failure to meet its 2003 third quarter revenue and earnings guidance in part on the accident as well as providing estimates as to the revenue associated with the WXL involved in the accident.

In March 2008, the Ontario Securities Commission ("**OSC**") alleged that those releases and statements were misleading or untrue in a material respect and were made in contravention of the Securities Act. A number of officers of Biovail were involved to various degrees in the disclosures. In January 2009, the OSC sought and obtained enforcement penalties against a range of officers, including Mr. Howling, who was in charge of investor relations at the time of the accident. Mr. Howling agreed to a settlement with the OSC which resulted in a reprimand for Mr. Howling, an order to pay \$20,000 in respect of the costs of the investigation, and a prohibition against Mr. Howling being or becoming an officer or director of a public company for two years. A complaint was also filed by the United States Securities and Exchange Commission and a settlement was reached in which Mr. Howling was permanently restrained and enjoined from violating Section 10(b) of the Securities and Exchange Act of 1934 and ordered to pay a civil penalty in the amount of USD \$50,000.

On May 1, 2018, the Ontario Securities Commission issued an MCTO against Mr. Cockburn in his capacity as Interim Chief Executive Officer of Agility Health Inc. ("**Agility**"). The MCTO was issued in connection with the late filing of Agility's audited annual financial statements, management's discussion and analysis and related officer certifications for the year ended December 31, 2017 (the "**Annual Filings**"), which were required to be filed on April 30, 2018. The filing defaults were remedied on June 29, 2018 and the MCTO expired on July 4, 2018.

On December 3, 2018, four of Agility's operating subsidiaries, Ontario Orthotic Lab Inc. ("**OOLab**"), Premier Footworks Inc. ("**Premier**"), Veba Sock Company Inc. and Medic Holdings Corp. each filed a Notice of Intention to make a Proposal ("**NOI Proceedings**") pursuant to the *Bankruptcy and Insolvency Act*. At the time, Mr. Howling was a director of Agility and Mr. Cockburn was a director and Interim Chief Executive Officer. On December 13, 2018, a receivership order was issued in respect of OOLab and Premier and an order was issued terminating the NOI Proceedings. Agility's shares were halted from trading on the Exchange on December 13, 2018. Agility had no business or operations at this time. As a result, Agility was advised by the Exchange on January 17, 2019 that its shares would be transferred to NEX when they resumed trading. The shares began trading on NEX on or about February 7, 2019. On May 6, 2019, the OSC issued a cease trade order in connection with the late filing of Agility's audited annual financial statements, management's discussion and analysis and related officer certifications for the year ended December 31, 2018, which were required to be filed on April 30, 2019. To date, Agility's securities have remained subject to the cease trade order. Mr. Howling resigned as director of Agility and Mr. Cockburn resigned from his positions as Interim Chief Executive Officer and director of Agility on November 4, 2020.

None of the proposed directors has been subject to a penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalty or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Committees

Prior to the Effective Date, the Resulting Issuer will appoint an audit committee (the “**Audit Committee**”) whose composition will comply with the requirements of the ABCA, applicable Canadian securities laws and the policies of the TSXV. The board of directors of Resulting Issuer may from time to time establish additional committees. The Audit Committee charter and the mandates of any other committees will be established following completion of the Transaction and will be in compliance with applicable legal and regulatory requirements.

The Audit Committee is expected to be comprised of Michael Steele, Alison Wright, and Ken Howling. As defined by NI 52-110, each Audit Committee member is “independent” within the meaning of NI 52-110. Each Audit Committee member is “financially literate”, within the meaning of NI 52-110 and possesses education or experience that is relevant for the performance of their responsibilities as an Audit Committee member. See “*Information Concerning the Resulting Issuer – Management*” above.

The mandate of the Audit Committee will be to assist the Resulting Issuer Board in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Resulting Issuer. The Audit Committee will be responsible for: conducting reviews and discussions with management and the external auditors relating to the audit and financial reporting; assessing the integrity of internal controls and financial reporting procedures; ensuring implementation of internal controls and procedures; reviewing the quarterly and annual financial statements and management’s discussion and analysis of the Resulting Issuer; selecting and monitoring the independence, performance and remuneration of the external auditors; oversight of all disclosure relating to financial information. The Audit Committee will also be responsible for reviewing and following the procedures established in the Resulting Issuer’s codes, policies and guidelines as may be established from time to time.

Corporate Governance

Corporate governance relates to the activities of a board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the board and who are charged with the day-to-day management of the Resulting Issuer. NP 58-201 establishes corporate governance guidelines which apply to all public companies. Upon completion of the Transaction It is anticipated that the Resulting Issuer will adopt certain guidelines, including:

- a written mandate explicitly acknowledging responsibility for the stewardship of the Resulting Issuer, including responsibility for succession planning, developing the Resulting Issuer's approach to corporate governance and guidelines that are specifically applicable to the Resulting Issuer, and measures for receiving feedback from stakeholders;
- a policy discussing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Resulting Issuer's business remains current;
- the appointment of a nominating and compensation committee, composed of independent directors; and
- policies and procedures to regularly assess the effectiveness of directors and committees.

Conflicts Of Interest

Certain directors, officers and promoters of the Resulting Issuer are associated with other reporting issuers or other corporations that may give rise to conflicts of interest. Please see “*Information Concerning the Resulting*

Issuer – Other Reporting Issuers” below. In accordance with the ABCA, directors or officers of the Resulting Issuer who have a material interest in a material contract or a proposed material contract with the Resulting Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Resulting Issuer.

Some of the directors and officers of the Resulting Issuer have or will have either other employment or other business or time restrictions placed on them and, accordingly, these directors and officers of the Resulting Issuer will only be able to devote part of their time to the affairs of the Resulting Issuer.

Other Reporting Issuers

The following table sets out information for the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the five years prior to the date hereof, directors, officers or promoters of other reporting issuers.

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Aura Balboa	Acerus Pharmaceuticals Corporation	TSX	Officer Director of Finance	July 2016	May 2017
Kenneth Howling	Agility Health Inc.	NEX	Director	June 2018	November 2020
Michael Steele	Viridium Pacific Group Ltd.	TSXV	Director	March 2016	September 2018
Wayne Cockburn	Agility Health Inc.	NEX	CEO	August 2016	November 2020
Ken Yoon	Acerus Pharmaceuticals Corporation	TSX	Chief Financial Officer	June 2017	October 2018

RESULTING ISSUER EXECUTIVE COMPENSATION

It is anticipated that the compensation policies and programs for executive officers and directors of the Resulting Issuer will be determined by the Resulting Issuer Board following completion of the Transaction and will be in line with similar companies.

Compensation Discussion and Analysis

Following the completion of the Transaction, it is anticipated that the executive officers of Pathway will be paid salaries at a level that is comparable to companies of a similar size and character. As of the date of this Filing Statement, there are no employment contracts in place between the Resulting Issuer and any of the proposed Named Executive Officers of the Resulting Issuer, and there are no provisions with the Resulting Issuer for compensation of the Named Executive Officers in the event of termination of employment or a change in responsibilities.

Compensation for the Named Executive Officers of the Resulting Issuer will be determined following completion of the Transaction and will be in line with similar companies. It is expected that the Named Executive Officers will receive similar compensation as the Named Executive Officers of TCNC prior to the Transaction. See “*Information Concerning Pathway – Executive Compensation*” for further details.

Compensation of Directors

It is anticipated that the directors of the Resulting Issuer will be paid fees for their services, however, the amounts of such fees will be determined at the discretion of the Resulting Issuer Board following completion of the Transaction. The Resulting Issuer may also grant stock options to directors in recognition of the time and effort that such directors devote to the Resulting Issuer.

INDEBTEDNESS OF THE RESULTING ISSUER'S DIRECTORS AND OFFICERS

As of the completion of the Transaction, no proposed director, executive officer or senior officer of the Resulting Issuer or any Associate thereof, will be indebted to the Resulting Issuer or any of its subsidiaries, or has been at any time during the preceding financial year.

No director, executive officer or other senior officer of Colson or Pathway or a person who acted in such capacity in the last financial year of Colson or Pathway or proposed director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the incorporation of Colson or Pathway, indebted to Colson or Pathway nor is, or at any time since the incorporation of Colson or Pathway has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Colson or Pathway.

Investor Relations Arrangements

Except as described below, the Resulting Issuer does not expect to enter into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Resulting Issuer or its securities or to engage in activities for the purpose of stabilizing the market.

The Howard Group Inc.

On February 1, 2021, Pathway entered into a letter of agreement with The Howard Group Inc. (“**Howard**”) for the provision of marketing communications and advisory services, focused on expanding the Resulting Issuer’s investor audience and online media management. Howard will receive fees in the amount of \$8,000 per month for a one year term.

Howard is a Calgary, Alberta-based company, providing comprehensive investor and financial relations, business development solutions and in-depth strategic planning to public companies since 1988. Howard is also associated with the Insight Limited Partnership II, which invests in micro and small cap companies.

Howard does not currently have any interest, directly or indirectly, in the Resulting Issuer or its securities, or any right or intent to acquire such an interest.

OPTIONS TO PURCHASE SECURITIES

As part of the Transaction, the Colson Stock Option Plan will be terminated and the 840,000 Colson Options granted thereunder and currently outstanding will be cancelled.

Resulting Issuer Stock Option Plan

The Resulting Issuer board will adopt an option plan to be administered by the board of the Resulting Issuer following the closing of the Transaction (“the “**Resulting Issuer Stock Option Plan**”).

The Resulting Issuer Stock Option Plan will provide that the board may from time to time, in its discretion, and in accordance with the requirements of the TSXV, grant to directors, officers, employees and consultants of the Resulting Issuer, non-transferable Resulting Issuer Options to purchase Resulting Issuer Shares, provided that the number of Resulting Issuer Shares reserved for issuance will not exceed 10% of the issued and outstanding Resulting Issuer Shares exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the

number of Resulting Issuer Shares reserved for issuance: (a) to any individual director or officer will not exceed 5% of the issued and outstanding Resulting Issuer Shares; and (b) to all consultants will not exceed 2% of the issued and outstanding Resulting Issuer Shares.

Subject to any requirements of the TSXV, the board of the Resulting Issuer shall be able to fix the duration of the Resulting Issuer Options at the time of grant, provided that in no circumstances shall the duration of such Resulting Issuer Options be longer than 10 years. Resulting Issuer Options must be exercised within a reasonable period following the cessation of the optionee's position with the Resulting Issuer, provided that if the cessation was by reason of death, the Resulting Issuer Options may be exercised within a maximum period of one year after such death, subject to the expiry date of such Resulting Issuer Options. Resulting Issuer Options may be exercised from the greater of 12 months after the completion of the Transaction and 90 days following cessation of the optionee's position with the Resulting Issuer, provided that if the cessation of office, directorship, employment or consulting relationship was by reason of death, the option may be exercised as described above.

The exercise price of the Resulting Issuer Options shall be determined by the board at the time any Resulting Issuer Option is granted. In no event shall such exercise price be lower than the minimum exercise price permitted by the requirements of the TSXV.

Following completion of the Transaction, the Resulting Issuer will have 4,200,000 Resulting Issuer Options issued and outstanding to acquire Resulting Issuer Shares, and 4,200,000 Resulting Issuer Shares reserved for issuance under the Resulting Issuer Stock Option Plan. The following table shows the expected allocation of the Resulting Issuer Options:

Category of Optionee	Number of Options to Purchase Resulting Issuer Shares	Exercise Price	Market Value on Date of Grant	Expiry
Officers of the Resulting Issuer				
<i>Michael Steele</i>	1,000,000	\$0.50	\$0.50	5 years
<i>Ken Yoon</i>	1,000,000	\$0.50	\$0.50	5 years
<i>Wayne Cockburn</i>	1,000,000	\$0.50	\$0.50	5 years
<i>Kim Wei</i>	1,000,000	\$0.50	\$0.50	5 years
Directors of the Resulting Issuer (who are not officers)				
<i>Kenneth Howling</i>	100,000	\$0.50	\$0.50	5 years
<i>Alison Wright</i>	100,000	\$0.50	\$0.50	5 years
Total:	4,200,000 ⁽¹⁾			

Notes:

(1) Subject to approval of the board of directors of the Resulting Issuer, 4,200,000 options are expected to be issued post-listing.

ESCROWED SECURITIES

CPC Escrowed Shares

An aggregate of 2,400,000 Colson Common Shares (the “**CPC Escrow Shares**”) and the Colson Options issued prior to or in connection with its initial public offering issued to the directors and officers of Colson and their respective Associates and Affiliates, are currently held in escrow under the policies of the TSXV. Upon completion of the Transaction, the Colson Options will be cancelled and an aggregate of 816,048 Colson Common Shares will remain subject to the CPC Seed Escrow Agreement (after giving effect to the Share Consolidation).

In connection with the New CPC Policy, Colson obtained disinterested shareholder approval at the Special Meeting of the Colson Shareholders to rely upon certain sections of the New CPC Policy amending the former escrow provisions of Policy 2.4 of the TSXV Manual.

Pursuant to the CPC Seed Escrow Agreement, the CPC Escrow Shares and Colson Options are held in escrow by AST Trust Company. The CPC Seed Escrow Agreement, as amended, provides that the CPC Escrow Shares and Colson Options shall not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the written consent of the TSXV. Under the CPC Seed Escrow Agreement, 25% of the CPC Escrow Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “**Initial Release**”) and an additional 25% will be released on the dates 6 months, 12 months, and 18 months following the Initial Release.

The following table sets out, as of the date of this Filing Statement and to the knowledge of Colson and Pathway, the number and percentage of CPC Escrow Shares held in escrow under the CPC Seed Escrow Agreement prior to giving effect to the Transaction, and the number and percentage of Resulting Issuer Shares that will be subject to the CPC Seed Escrow Agreement after giving effect to the Transaction (on an undiluted and post-Share Consolidation basis):

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities held in Escrow	Percentage of Class
Michael Edmond Doyle <i>Alberta, Canada</i>	Resulting Issuer Shares	400,000	4.76%	136,008	0.14%
Murray Moore <i>Alberta, Canada</i>	Resulting Issuer Shares	300,000	3.57%	102,006	0.11%
John Prince <i>Alberta, Canada</i>	Resulting Issuer Shares	300,000	3.57%	102,006	0.11%
Arthur Sumner <i>Alberta, Canada</i>	Resulting Issuer Shares	300,000	3.57%	102,006	0.11%
Michael Khan <i>Ontario, Canada</i>	Resulting Issuer Shares	300,000	3.57%	102,006	0.11%
Barry Schloss <i>Alberta, Canada</i>	Resulting Issuer Shares	300,000	3.57%	102,006	0.11%
James Varanese <i>London, United Kingdom</i>	Resulting Issuer Shares	100,000	1.19%	34,002	0.04%
Kyle Detwiler <i>New York, United States of America</i>	Resulting Issuer Shares	200,000	2.38%	68,004	0.07%
Timothy Tully <i>Islip, New York, United States of America</i>	Resulting Issuer Shares	200,000	2.38%	68,004	0.07%

Resulting Issuer Escrowed Securities - Principal Escrowed Shares

Pursuant to the policies of the TSXV, and in addition to the CPC Escrow Shares, Resulting Issuer Shares (“**Resulting Issuer Escrow Shares**”) received by certain shareholders who: (i) are “Principals” of the Resulting Issuer; (ii) will hold Resulting Issuer Shares considered to be “value escrow securities” by the policies of the TSXV; or (iii) are other parties, identified by the TSXV, will be subject to escrow conditions prescribed by the TSXV pursuant to the terms of an agreement to be entered into among the Resulting Issuer, the holders of Resulting Issuer Escrow Shares and the Transfer Agent, as escrow agent (the “**Value Security Escrow Agreement**”).

The Value Security Escrow Agreement will provide for a three year escrow release mechanism with 10% of the Resulting Issuer Escrow Shares being releasable at the time of the Final Exchange Bulletin, and 15% of the Resulting Issuer Escrowed Shares being releasable every 6 months thereafter until the date which is 36 months after the Final Exchange Bulletin. The Resulting Issuer Escrowed Shares may not be transferred within escrow without the approval of the TSXV for release or transfer other than in specified circumstances set out in the Value Security Escrow Agreement.

The following table sets out, as of the date of this Filing Statement and to the knowledge of Colson and Pathway, the number and percentage of Resulting Issuer Escrow Shares to be held in escrow prior to giving effect to the Transaction, and the number and percentage of Resulting Issuer Escrow Shares that will be held in escrow after giving effect to the Transaction (on an undiluted basis):

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities held in Escrow	Percentage of Class
Ken Yoon <i>North York, ON</i>	Resulting Issuer Shares	50,000 ⁽¹⁾	0.18%	50,000 ⁽³⁾	0.05%
Aura Balboa <i>Mississauga, ON</i>	Resulting Issuer Shares	30,000 ⁽¹⁾	0.11%	30,000	0.03%
Wayne Cockburn <i>Mississauga, ON</i>	Resulting Issuer Shares	100,000 ⁽¹⁾	0.36%	183,867 ^{(4),(5)}	0.18%
Kim Wei <i>Mississauga, ON</i>	Resulting Issuer Shares	200,000 ^{(1),(2)}	0.73%	200,000 ⁽²⁾	0.21%
Michael Steele <i>Caledon Village, ON</i>	Resulting Issuer Shares	-	-	-	-
Alison Wright <i>Mississauga, ON</i>	Resulting Issuer Shares	-	-	-	-
Kenneth Howling <i>Toronto, ON</i>	Resulting Issuer Shares	-	-	69,204 ⁽⁶⁾	0.07%
Renee John <i>Pickering, ON</i>	Resulting Issuer Shares	-	-	41,600 ⁽⁷⁾	0.04%
Pram Sandhu <i>Toronto, ON</i>	Resulting Issuer Shares	-	-	13,904 ⁽⁸⁾	0.01%
The Clinic Network Canada Inc.	Resulting Issuer Shares	-	-	51,638,711 ⁽⁹⁾	55.46%

Notes:

- (1) Each Subscription Receipt consists of one Pathway Share and one half of one Pathway Warrant. Each of the Warrants will also be subject to the Value Security Escrow Agreement.
- (2) 50,000 Subscription Receipts held directly and 150,000 Subscription Receipts held by spouse.
- (3) 50,000 Resulting Issuer Shares and 25,000 Resulting Issuer Replacement Warrants indirectly owned or controlled through VectorGlobal IAG Canada ULC.
- (4) 100,000 Resulting Issuer Shares and 50,000 Resulting Issuer Replacement Warrants indirectly owned or controlled through VectorGlobal IAG Canada ULC.
- (5) 70,000 Resulting Issuer Shares issuable upon the conversion of \$25,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021) held directly and 13,867 Resulting Issuer Shares held by spouse issuable upon the conversion of \$5,200 of convertible debenture of Pathway (including interest accrued to May 31, 2021).
- (6) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$25,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021).
- (7) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$15,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021).

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- (8) Reflects the number of Resulting Issuer Shares issuable upon the conversion of \$5,000 of convertible debenture of Pathway (including interest accrued to May 31, 2021).
- (9) Post asset sale transaction between The Clinic Network Canada Inc. and Pathway, the Clinic Network Canada Inc. will own 51,638,710. Upon completion of the TCNC Asset Acquisition, the initial Pathway Common Share held by Cura-Can was transferred to TCNC for nominal consideration pursuant to a share purchase agreement dated January 18, 2021.

Resulting Issuer Securities – Lock-Up Agreements

In connection with the Subscription Receipt Offering, the directors, officers and Control Persons of Pathway have agreed to enter into contractual lock-up agreements with the Lead Agent restricting transfer of their securities of the Resulting Issuer for a period of one year from the date of the Completion of the Transaction, with 50% of such securityholdings released on the date that is six months from the completion of the Transaction. Ken Yoon, Aura Balboa Wayne Cockburn, Kim Wei, Michael Steele, Alison Wright, Kenneth Howling, Renee John, Pram Sandhu, and TCNC have agreed, during the locked-up period, that they will not, directly or indirectly, (i) sell, offer, issue, grant, secure, pledge or otherwise transfer, dispose of or monetize any of their securities of the Resulting Issuer; (ii) engage in any hedging transaction, or enter into any form of agreement the consequence of which is to alter economic exposure to, any securities of the Resulting Issuer; or (iii) announce any intention to do any of the foregoing, except in certain specified circumstances.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditor

Upon completion of the Transaction, the auditors of the Resulting Issuer will be Grant Thornton LLP located at 1701 Scotia Place 2 – 10060 Jasper Avenue NW, Edmonton, AB T5J 3R8.

Transfer Agent and Registrar

Upon completion of the Transaction, the transfer agent and registrar for the Resulting Issuer Shares will be AST Trust Company (Canada) located at 1 Toronto Street, Suite 1200, Toronto, ON M5C 2V6.

RISK FACTORS

An investment in Colson Common Shares (and correspondingly an investment in Resulting Issuer Shares) should be considered highly speculative, not only due to the nature of Pathway's existing business and operations, but also because of the uncertainty related to completion of the Transaction and the expected business of the Resulting Issuer upon completion of the Transaction.

The following list of risk factors is not a definitive list of all risk factors associated with the Transaction. Additional risks and uncertainties, including those currently known or considered immaterial by Colson or Pathway, may also adversely affect Colson Common Shares, Resulting Issuer Shares and/or the business of the Resulting Issuer following completion of the Transaction.

Risks Relating to the Transaction

Required Approvals

Notwithstanding that the Transaction may meet the definition of a Qualifying Transaction, the Exchange may not approve a Qualifying Transaction:

- (a) if Colson fails to meet the initial listing requirements prescribed by Policy 2.1 of the Exchange upon completion of the Qualifying Transaction;
- (b) if, following completion of the Qualifying Transaction, Colson will be a finance company or a mutual fund as defined under applicable securities law; or

- (c) for any other reason at the sole discretion of the Exchange.

Market Reaction

The market reaction to the Transaction and the future trading prices of the Resulting Issuer Shares cannot be predicted. If the Transaction is not completed, the market price of Colson Common Shares may decline to the extent that the current market price of Colson Common Shares reflects a market assumption that the Transaction will be completed.

Costs of the Transaction

If the Transaction is not completed, Colson and Pathway will each remain liable for significant consulting, accounting and legal costs relating to the Transaction and will not realize anticipated benefits of the Transaction.

Termination of the Share Exchange Agreement

Each of Colson and Pathway has the right to terminate the Share Exchange Agreement in certain circumstances. Accordingly, there is no certainty, nor can the parties provide any assurances that the Share Exchange Agreement will not be terminated by either Colson or Pathway before completion of the Transaction.

In addition, the completion of the Transaction is subject to a number of conditions precedent, certain of which are outside the control of Colson and Pathway, including but not limited to regulatory approvals. See “*Information Concerning Colson – Description of the Qualifying Transaction*”. In the event that any of those conditions are not satisfied or waived, the Transaction may not be completed as currently contemplated or at all.

If for any reason the Share Exchange Agreement is terminated, the market price of Colson Common Shares may be adversely affected. See “*Risk Factors – Market Reaction*”.

If for any reason the Share Exchange Agreement is terminated, Colson and Pathway will remain liable for significant costs relating to the Transaction. See “*Risk Factors – Costs of the Transaction*”.

Restrictions on Business While the Transaction is Pending

The Share Exchange Agreement restricts Colson and Pathway from taking specified actions until the Transaction is completed without the consent of the other party which may adversely affect the ability of each to execute certain business strategies, including, but not limited to, the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. These restrictions may prevent Colson and Pathway from pursuing attractive business opportunities that may arise prior to the completion of the Transaction.

Tax Consequences

The transactions described herein may have tax consequences in Canada, or elsewhere, depending on each particular existing or prospective shareholder’s specific circumstances. Such tax consequences are not described herein and this Filing Statement is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

Risks Relating to the Resulting Issuer

Being a Public Company May Increase Price Volatility

Following completion of the Transaction, the market price of the Resulting Issuer Shares may be subject to significant fluctuations. Market conditions in capital markets have recently experienced a high level of price and volume volatility and the market price of securities of many companies have experienced fluctuations in price which

have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Resulting Issuer Shares will be subject to market trends generally, notwithstanding any potential success of the Resulting Issuer in creating revenues, cash flows or earnings. In addition, the Resulting Issuer's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell Resulting Issuer Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Resulting Issuer Shares. The increased price volatility could adversely affect the results of operations or financial condition.

Significant Sales of Resulting Issuer Shares

Although Resulting Issuer Shares held by existing shareholders of Colson will be freely tradeable under applicable securities legislation, the Resulting Issuer Shares held by pathway's directors, executive officers, Control Persons and certain other securityholders of Pathway may be subject to contractual lock-up restrictions and may also be subject to escrow restrictions pursuant to the policies of the Exchange. Sales of a substantial number of the Resulting Issuer Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Resulting Issuer Shares and may make it more difficult for investors to sell Resulting Issuer Shares at a favorable time and price.

The Requirements of Being a Public Resulting Issuer May Strain the Resulting Issuer's Resources

In the event the Transaction is completed, the Resulting Issuer will continue Pathway's current business activities. As a reporting issuer, the Resulting Issuer, and its business activities, will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the exchange on which it would be listed and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Resulting Issuer's legal and financial costs as compared to Pathway's current activities making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

Limited Operating History

There is no assurance that the Resulting Issuer will earn profits in the future, or that profitability, if achieved, will be sustained. Operating in the health clinic industry requires financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue the Resulting Issuer's business development and marketing activities. If the Resulting Issuer does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business development opportunities.

Dividends

Neither Colson nor Pathway has not paid dividends in the past and does not anticipate the Resulting Issuer to be paying dividends in the near future. The Resulting Issuer expects to retain earnings to finance the development and enhancement of its business and otherwise reinvest in the business. Any decision to declare and pay dividends in the future is made at the discretion of the Resulting Issuer Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Resulting Issuer Board may deem relevant. As a result, investors may not receive any return on investment in Resulting Issuer Shares unless they sell them for a share price that is greater than what such investors purchased them for.

The Resulting Issuer May Issue Additional Equity Securities

Following the completion of the Transaction, the Resulting Issuer may issue equity securities to finance its activities. If the Resulting Issuer were to issue additional equity securities, the ownership interest of existing Resulting Issuer Shareholders may be diluted and some or all of the Resulting Issuer's financial measures on a per share basis could be reduced. Moreover, as the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the Resulting Issuer's share price may be materially adversely affected.

Liquidity and Additional Financing

There is no guarantee that the Resulting Issuer will be able to achieve its business objectives. The continued development of the Resulting Issuer may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Resulting Issuer going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Resulting Issuer. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Resulting Issuer's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Resulting Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Resulting Issuer's ability to pursue its business objectives.

Equity Price Risk

The Resulting Issuer may be exposed to equity price risk as a result of holding long-term investments in other companies. Just as investing in the Resulting Issuer is inherent with risks such as those set out in this Filing Statement, by investing in these other companies, the Resulting Issuer may be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

Conflicts of Interest

The Resulting Issuer may be subject to various potential conflicts of interest because of the fact that some of its officers, directors and consultants may be engaged in a range of business activities. The Resulting Issuer's executive officers, directors and consultants may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Resulting Issuer. In some cases, the Resulting Issuer's executive officers, directors and consultants may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Resulting Issuer's business and affairs and that could adversely affect the Resulting Issuer's operations. These business interests could require significant time and attention of the Resulting Issuer's executive officers, directors and consultants.

In addition, the Resulting Issuer may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or corporations with which the Resulting Issuer may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Resulting Issuer. In addition, from time to time, these persons may be competing with the Resulting Issuer for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

Risks Relating to the Business to be Carried on by the Resulting Issuer

Risks Generally Related to Telemedicine and the Regulatory and Professional Regime

The Resulting Issuer conducts most of its medical services through telemedicine. The Resulting Issuer's ability to conduct business through telemedicine, is dependent upon the treatment of digitally-delivered healthcare by legislative and regulatory bodies. Legislative and regulatory proposals in Canada may lead to stricter laws or regulations concerning various aspects of the telemedicine industry. Any such changes could require the Resulting Issuer to restructure the way in which it carries on business, which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects. In addition, the adoption of new

laws and/or regulations may decrease the growth in demand for telemedicine, which could in turn decrease the demand for the Resulting Issuer's services.

Pharmacy Referral Fees and LH Educational Grants May Give Rise to Potential Conflicts of Interest

Pathway has entered into contractual arrangements with certain pharmacies, pursuant to which Pathway agrees to compensate pharmacies for patient referrals. These arrangements may be subject to scrutiny if they are seen as kickbacks. Kickbacks have the potential to entice pharmacies to make unnecessary referrals, or to refer patients to particular providers for reasons other than the quality or accessibility of care. Pharmacists are regulated as healthcare professionals and must at all times act in the best interests of patients.

Pathway has also entered into contractual arrangements with certain Health Canada approved LHs, pursuant to which Pathway receives educational grants in exchange for connecting patients to LHs that are best suited for their needs. Arrangements involving remuneration alleged to be intended to induce prescribing, purchases or recommendations, may be subject to scrutiny if they are seen as kickbacks that prevent physicians from being impartial regarding what brands of cannabis are prescribed. This also gives rise to a potential conflict of interest, as the more cannabis a physician prescribes, the more revenue the Resulting Issuer will generate from educational grants. Physicians are regulated as healthcare professionals and must at all times act in the best interests of patients.

These contractual arrangements may expose the Resulting Issuer to regulatory risks that constrain the Resulting Issuer's ability to pay pharmacies for patient referrals or the ability to generate revenues from educational grants received from LHs. It is possible that governmental authorities will conclude that the Resulting Issuer's arrangements with pharmacies and LHs may not comply with current or future statutes, regulations or case law involving applicable cannabis and healthcare laws and governmental regulations. If arrangements with pharmacies and LHs involving remuneration are found to be in violation of any of these regulations, or professional standards that may apply, the Resulting Issuer may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, and the curtailment or restructuring of our operations, which could have a material adverse effect on the Resulting Issuer's business.

Prescribing Medical Cannabis Through Telemedicine

The regulatory regime in respect of prescribing medical cannabis is changing, with regulatory bodies in some jurisdictions imposing restrictions that require in person health assessments to obtain a Medical Document for medical cannabis. The Resulting Issuer's business is contingent, in part, upon the ability to deliver health assessments through telemedicine, including health assessments related to medical cannabis. Changes in regulations for prescribing medical cannabis, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct the business, changes in health care laws and regulations, and various other factors may significantly impact the ability of the Resulting Issuer's ability to generate revenues. Certain significant expenditures including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate its clinics, regardless of whether the Resulting Issuer is generating revenue.

Unfavorable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis' medical therapies. Medical cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material

adverse effect on the Resulting Issuer's (and the Resulting Issuer's subsidiaries) operational results, consumer base and financial results.

Patient Acquisitions

The Resulting Issuer's success depends on its ability to attract and retain patients. There are many factors which could impact the Resulting Issuer's ability to attract and retain patients, including but not limited to the successful implementation of the Resulting Issuer's patient-acquisition plans and the continued growth in the aggregate number of patients selecting medical marijuana as a treatment option. The Resulting Issuer's failure to acquire and retain patients as clients would have a material adverse effect on the Resulting Issuer's (and the Resulting Issuer's subsidiaries) business, operating results and financial condition.

Competition

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing, and marketing experience than the Resulting issuer. Additional, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Development Risks

The future development of the Resulting Issuer's business may not yield expected returns and may strain management resources. Development of the Resulting Issuer's revenue streams is subject to a number of risks, including cost overruns, financing risks, cancellation of key service contracts, and changes in government regulations. Overall costs may significantly exceed that costs that are estimated for a particular development, which could result in reduced returns, or even losses, from such investments.

Growth Management

The Resulting Issuer plans to grow rapidly and significantly expand its operations. This growth will place a significant strain on management systems and resources. The Resulting Issuer will not be able to implement our business strategy in a rapidly evolving market, without an effective planning and management process. To date, the Resulting Issuer has implemented some managerial, informational, operational and financial systems and controls, however, there can be assurance these systems and controls will be adequate. The Resulting Issuer may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third-party relationships the Resulting Issuer has, as its systems, procedures or controls may not be adequate to support increased operations and management may be unable to manage growth effectively. To manage the planned growth, the Resulting Issuer will be required to significantly improve or replace existing managerial, informational, financial and operational systems, procedures and controls, and to expand, train and manage its intended growing base of personnel. The Resulting Issuer may also be required to expand its finance, administrative and operations staff. The Resulting Issuer may be unable to complete in a timely manner the improvements to its systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

Acquisitions and integration of new businesses create risks and may affect operating results

Pathway may acquire additional businesses. Pathway's acquisition strategy involves a number of risks related to the realization of synergies and overall integration of Pathway's operations, including but not limited to, human resources, company culture, product/service pricing, information technology, data integrity, information systems, business processes and financial management. COVID-19 may affect the ability of the Company to find new attractive

acquisition opportunities and/or could impact the Company's ability to execute on the integration of pending acquisition opportunities.

Operating Risk and Insurance Coverage

Pathway maintains insurance to protect its assets, operations and employees. While Pathway believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Resulting Issuer may be exposed. The Resulting Issuer may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that have a material adverse effect upon the Resulting Issuer's financial performance and results of operations.

Discretion on use of proceeds from future financing transactions

The Resulting Issuer's management will have substantial discretion concerning the use of proceeds from future share sales and financing transactions. The Resulting Issuer's management will have substantial discretion concerning the use of proceeds from any future share sales and financing transactions, as well as the timing of the expenditure of the proceeds thereof. As a result, investors will be relying on the judgment of management as to the specific application of the proceeds of any future sales. Management may use the net proceeds in ways that an investor may not consider desirable. The results and effectiveness of the application of the net proceeds are uncertain.

Dependence upon Key Management Personnel

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants (the "**Key Personnel**"). The Resulting Issuer's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Resulting Issuer may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Resulting Issuer's ability to execute on its business plan and strategy, and the Resulting Issuer may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Reliance on Physicians and Other Healthcare Professionals

The Resulting Issuer relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future due to any sort of reason including infection due to COVID-19, this would cause interruptions in the Resulting Issuer's business until mitigated accordingly. As such, vacancies and disabilities relating to the Resulting Issuer's medical staff may cause interruptions in Resulting Issuer's business and result in lower revenues. As the Resulting Issuer expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Resulting Issuer's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Reliance on Third Parties

The Resulting Issuer relies heavily on third parties such as its IT service provider, Licensed Producer partners and medical supply vendors to provide some of its goods and services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such goods and services, the Resulting Issuer would need to obtain such goods or services from other

providers if they are available. This could cause the Resulting Issuer to incur additional costs or cause material interruptions to its business until these goods and services are replaced if possible.

Difficulty to Forecast

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Development and sale of new products

The Resulting Issuer may not be able to successfully develop new products or find a market for their sale. The medical and non-medical cannabis industries are in their early stages of development and it is likely that the Resulting Issuer, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Resulting Issuer may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by us. As well, the Resulting Issuer may be required to obtain additional regulatory approvals from Health Canada and other applicable regulatory authorities, which may take significant amounts of time and entail significant costs. The Resulting Issuer may not be successful in developing effective and safe products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on our business, financial condition and operations.

Product Liability

Pathway intends to develop and launch health products, some of which may be classified by Health Canada as Schedule 2 drugs (with prescription) and Schedule 3 over the -counter (no prescription). Should the resulting issuer become a distributor of products, it faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused loss or injury. In addition, the sale of the Resulting Issuer's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Resulting Issuer's products alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products.

Branding and advertising restrictions

Restrictions on branding and advertising may negatively impact the Resulting Issuer's ability to attract and retain customers. The Resulting Issuer's success depends on their ability to attract and retain patients and customers. *The Cannabis Act* strictly regulates the way cannabis is packaged, labelled, and displayed. The associated provisions are quite broad and are subject to change. It is currently prohibited to use testimonials and endorsements, depict people, characters and animals and produce any packaging that may be appealing to young people. The restrictions on packaging, labelling, and the display of our cannabis products may adversely impact our ability to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This may ultimately have a material adverse effect on our business, financial conditions and operations.

Health impacts on cannabis use

There may be unknown health impacts associated with the use of medical cannabis and cannabis derivative products. There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using cannabis and cannabis derivative products. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Cybersecurity

The Resulting Issuer relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. As a result, the Resulting Issuer and/or its patients are exposed to risks related to cybersecurity. Such risks may include unauthorized access, use, or disclosure of sensitive information (including confidential patient health records), corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware).

Third parties to whom the Resulting Issuer outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Resulting Issuer's business even if the Resulting Issuer does not control the service that is attacked. The Resulting Issuer's operations depend, in part, on how well it protects networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to damage to hardware, computer viruses, hacking and theft. The Resulting Issuer's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

A compromise of the Resulting Issuer's information technology or confidential information, or that of the Resulting Issuer's patients and third parties with whom the Resulting Issuer interacts, may result in negative consequences, including the inability to process patient transactions, reputational harm affecting patient and/or investor confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on the Resulting Issuer's business, financial position, results of operations or cash flows. As the Resulting Issuer has access to sensitive and confidential information, including personal information and personal health information, and since the Resulting Issuer may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees), there is a risk that sensitive and confidential information, including personal information and personal health information, may be disclosed through improper use of the Resulting Issuer's systems, software solutions or networks or that there may be unauthorized access, use, disclosure, modification or destruction of such information. The Resulting Issuer's on-going risk and exposure to these matters is partially attributable to, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, malfunction, human error, technological error or unauthorized access is a priority. As cyber threats continue to evolve, the Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Confidentiality of Personal and Health Information

The Resulting Issuer and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of patients of the Resulting Issuer and specifically their medical histories. There can be no assurance that the Resulting Issuer's policies, procedures and systems will be sufficient to address the privacy concerns of existing and future patients whether or not such a breach of privacy were to have occurred as a result of the Resulting

Issuer's employees or arm's length third parties. If a patient's privacy is violated, or if the Resulting Issuer is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Litigation

The Resulting Issuer may become party to litigation from time to time in the ordinary course which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer, such decision could adversely affect the Resulting Issuer's ability to continue operating and the value of the Resulting Issuer Shares and require the Resulting Issuer to devote significant resources to such matters.

Government Regulation

The Resulting Issuer's operations are subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in the imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Resulting Issuer intends to fully comply with all governmental laws and regulations. The Licensed Producers that provide medical marijuana to the Resulting Issuer's patients will be subject to various federal, provincial and municipal laws relating to the Access to Cannabis for Medical Purposes Regulations of Health Canada in Canada. While there are currently no indications that the Resulting Issuer requires approval from Health Canada, such approval may ultimately be required. There can be no assurance that changes in the laws and regulations will not have an adverse effect on the Resulting Issuer's business.

The current and future operations of the Resulting Issuer are and will be governed by the laws and regulations governing the health care industry, labour standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing operations and activities of health clinics, or more stringent implementation thereof, could have a material adverse impact on the Resulting issuer and cause increases in capital expenditures or costs, or reduction in levels of its medical services.

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Resulting Issuer's business operates in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations. In addition, the Resulting Issuer could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Resulting Issuer.

Reliance on Third Parties for Real Estate

The Resulting Issuer acts as a tenant within the context of the commercial spaces that it operates in. The Resulting Issuer does not own real property. There is a risk that these leases may not be renewed at the end of term, and a risk that an alternative location cannot be found. Moreover, these leased properties are managed by third parties and as such there is no assurance that they will be managed and maintained to meet any required environmental and safety standards. There are a number of risks related to COVID-19 such as the Resulting Issuer's sub-tenants not paying rent and/or deferring rents and other lease obligations.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Resulting Issuer to such transaction, which may have a material adverse effect on the Resulting Issuer. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the

Resulting Issuer enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Resulting Issuer. Any impairment charges on the Resulting Issuer's carrying value of business arrangements could have a material adverse effect on the Resulting Issuer.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Resulting Issuer will depend on many factors, including all matters relating to COVID-19, the number and size of acquisitions consummated (if any), rate of growth of its client base, the cost of expanding into new markets (if any), the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Resulting Issuer may consider additional financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture. There can be no assurance that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, the Resulting Issuer may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Resulting Issuer will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Resulting Issuer to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

General Economic Risks

The Resulting Issuer's operations could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the Resulting Issuer's sales and profitability. Any investors should further consider, among other factors, the Resulting Issuer's prospects for success in light of the risks and uncertainties encountered by companies that, like the Resulting Issuer, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of the Resulting Issuer's business. The Resulting Issuer may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Resulting Issuer fails to do so, it could materially harm the Resulting Issuer's business to the point of having to cease operations and could impair the value of the Resulting Issuer's securities.

Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Resulting Issuer, or the ability of the operators of the companies in which the Resulting Issuer will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Resulting Issuer and the price of the Resulting Issuer's securities could be adversely affected.

COVID-19 Pandemic and Other General Risks Related to Catastrophic Events

Catastrophic events in general can have a material impact on the potential continuity of the Resulting Issuer's business. The continued spread of COVID-19 globally could adversely affect the Resulting Issuer's patient care and clinic operations, as healthcare providers may have heightened exposure to COVID-19 if an outbreak occurs in their geography. The Resulting Issuer's ability to provide health care services may be adversely affected or disrupted as a result of changing patient intake patterns and needs as well as reduced availability of physicians and/or support staff. Further, the COVID-19 outbreak could result in adverse effects on the Resulting Issuer's business and operations due to prioritization of clinic resources toward the outbreak or if quarantines and/or restrictions (such as travel restrictions) impede physician, staff or patient movement or interrupt healthcare services.

The Resulting Issuer relies on third-party service providers to assist them in managing, monitoring and otherwise carrying out aspects of its business and operations, and the outbreak may affect their ability to devote sufficient time and resources to the business. The third-party contract supplier organizations' ability to deliver required medical and other supplies, such as personal protective equipment, on a timely basis, may also be limited or affected materially. Such events may result in a period of business disruption, reduced operations, any of which could materially affect the Resulting Issuer's business, financial condition and results of operations. The Resulting Issuer's ability to serve patients remotely via telehealth services could be affected by technology vulnerabilities and/or glitches that could impede the ability for physicians and patients to access and/or utilize the software reliably.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Resulting Issuer economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Resulting Issuer's ability to access capital, which could in the future negatively affect liquidity.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Resulting Issuer's business, operations and financial performance will depend on future developments, including but not limited to, matters such as (a) the duration and/or severity of the outbreak, (b) government policies, restrictions and requirements as it relates to social distancing, forced quarantines and other requirements, (c) nongovernmental influences or challenges such as the failure of banks and/or (d) any kind of ripple effect caused by the substantial economic damage that can be inflicted on society by a pandemic like COVID-19 such as lawlessness. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence. Societal functions are not expected to return to normal until a vaccine is widely available to the public. This is not expected to occur until sometime in 2021.

OTHER MATERIAL FACTS

There are no material facts about Pathway, the Resulting Issuer, and the Transaction that are not disclosed under the preceding items and are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to Pathway and the Resulting Issuer, assuming completion of the Transaction.

SPONSORSHIP AND AGENT RELATIONSHIP

Sponsorship for the Transaction is required by Policy 2.4 of the TSXV Manual unless an exemption from the sponsorship requirement is granted to by the TSXV. Colson is exempt from the sponsorship requirement on the basis that Pathway has completed the Subscription Receipt Financing in connection with the Transaction for aggregate gross proceeds of greater than \$500,000 and the Lead Agent has provided the TSXV with confirmation that they have completed appropriate due diligence on both the Transaction and this Filing Statement that is generally in compliance with Policy 2.2 – Sponsorship and Sponsorship Requirements of the TSXV Manual. Subject to the satisfaction of certain conditions, the TSXV has granted Colson an exemption from the sponsorship requirements in respect of the Transaction.

INTEREST OF EXPERTS

MNP LLP are the auditors of Colson and have performed the audit in respect of the financial statements of Colson for the years ended March 31, 2020, 2019 and 2018. MNP LLP are independent of Colson in accordance with the applicable rules of professional conduct.

Grant Thornton LLP are the auditors of Pathway and have performed an audit in respect of the audited financial statements of Pathway for the period between September 18, 2020 and January 17, 2021. Grant Thornton LLP are independent of Pathway in accordance with the applicable rules of professional conduct.

Grant Thornton LLP are the auditors of TCNC and have performed an audit in respect of the audited financial statements of TCNC for the years ended December 2019 and 2018. Grant Thornton LLP are independent of TCNC in accordance with the applicable rules of professional conduct.

No person or company who is named as having prepared or certified a part of the Filing Statement or prepared or certified a report or valuation described or included in the Filing Statement has, or will have, immediately following completion of the Transaction, any direct or indirect interest in Pathway, Colson or the Resulting Issuer.

COLSON BOARD APPROVAL

The board of directors of Colson has approved the contents of this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a Person other than Colson, Colson has relied upon information furnished by such Person. Colson disclaims any responsibility with respect to the accuracy and adequacy of such information.

Schedule “A”
AUDITED FINANCIAL STATEMENTS OF TCNC FOR THE YEAR ENDED DECEMBER 31, 2020

The Clinic Network Canada Inc.

Consolidated Financial Statements
For the year ended December 31, 2020
(Expressed in Canadian Dollars)

Independent Auditor's Report

Grant Thornton LLP
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To the Shareholders of
The Clinic Network Canada Inc.

Qualified Opinion

We have audited the consolidated financial statements of The Clinic Network Canada Inc. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Clinic Network of Canada Inc. as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2020, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

We were not appointed as auditors of the Company until after the prior year end date of December 31, 2019 and therefore were unable to observe the counting of inventories as that date nor were we able to satisfy ourselves by alternative means concerning the inventory quantities held at December 31, 2019. Our auditor's report dated January 28, 2021 was qualified to reflect this matter. As opening inventory amounts enter into the determination of the financial position and cash flows we were unable to determine whether any adjustments were necessary to the consolidated statements of loss and comprehensive loss and consolidated cash flows from operations for the year ended December 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$10,322,491 for the year ended December 31, 2020 and had negative cash from operations of \$1,629,808 for the year ended December 31, 2020. As at December 31, 2020, current liabilities exceeded current assets by \$21,352,796. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada
May 31, 2021



Chartered Professional Accountants

The Clinic Network Canada Inc.
Consolidated Statement of Financial Position
December 31, 2020 and 2019

	Note	December 31, 2020	December 31, 2019
Assets			
Current			
Cash		\$ 361,854	\$ 435,277
Accounts and other receivables	5	1,074,518	534,179
Convertible debenture receivable	17	235,000	-
Inventory	6	305,628	302,073
Prepays		94,356	97,343
		<u>2,071,356</u>	<u>1,368,872</u>
Due from related parties	13	67,096	70,000
Property and equipment	7	3,550,788	4,314,556
Intangible assets	8	1,445,800	781,924
Goodwill	9	563,129	2,000,699
		<u>5,626,813</u>	<u>7,167,179</u>
Total assets		<u>\$ 7,698,169</u>	<u>\$ 8,536,051</u>
Liabilities and Shareholder's deficiency			
Current			
Accounts payable and accrued liabilities	10	\$ 2,011,801	\$ 1,047,850
Deferred revenue	11	102,882	-
Senior secured notes	15	664,973	-
Current portion of lease liability	12	742,073	553,734
Convertible debt	17	3,662,305	-
Due to related parties	13	5,681,071	6,656,304
Credit facility with related party	14	10,559,047	5,337,528
		<u>23,424,152</u>	<u>13,595,416</u>
Long-term portion of lease liability	12	2,669,191	3,234,930
Loan payable		-	3,706
Government loan payable	16	64,212	-
Convertible debt	17	-	156,620
Deferred tax liability	18	-	-
		<u>2,733,403</u>	<u>3,395,256</u>
Total liabilities		<u>\$ 26,157,555</u>	<u>\$ 16,990,672</u>
Shareholder's deficiency			
Share capital	19	675,000	675,000
Contributed surplus		787,569	516,176
Deficit		(20,047,871)	(9,805,419)
Non-controlling interest		125,916	159,622
		<u>(18,459,386)</u>	<u>(8,454,621)</u>
Total liabilities and shareholder's deficiency		<u>\$ 7,698,169</u>	<u>\$ 8,536,051</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Loss and Comprehensive Loss
For the year ended December 31, 2020 and 2019

	Note	2020	2019
Revenue	21	\$ 9,124,458	\$ 6,565,438
Cost of sales			
Consultants		3,248,927	2,906,221
Cost of goods sold		614,690	916,603
Clinic and medical supplies		395,278	359,167
Total cost of sales		4,258,895	4,181,991
Gross margin		4,865,563	2,383,447
Selling, general and administrative expenses	22	7,110,818	7,771,508
Loss before other items		(2,245,255)	(5,388,061)
Other items			
Amortization of intangible assets	8	96,366	32,603
Fair value of guarantee	10	415,000	-
Finance expense	23	5,061,762	569,750
Gain on acquisition of Slawner Ortho	4	-	(295,100)
Gain on remeasurement of contingent consideration	4(b)	(40,000)	-
Gain on remeasurement of lease liability	12	(17,518)	-
Government grant	16	(62,746)	-
Impairment of goodwill	9	2,000,699	419,722
Impairment of intangible assets	8	1,500	284,007
Impairment of property and equipment	7	72,655	-
Loss on disposal of property and equipment	7	13,950	-
Share-based compensation	19(b)	535,568	516,176
		8,077,236	1,527,158
Loss before income taxes		(10,322,491)	(6,915,219)
Income tax (recovery) expense		-	(256,775)
Net loss and comprehensive loss		(10,322,491)	(6,658,444)
Net loss attributable to:			
Shareholders		(10,242,452)	(6,578,377)
Non-controlling interest		(80,039)	(80,067)
		\$ (10,322,491)	\$ (6,658,444)
Basic and diluted loss per share	20	\$ (3,177)	\$ (2,040)
Weighted average common shares outstanding			
Basic and diluted	20	3,224	3,224
Diluted	20	3,224	3,224

The accompanying notes are an integral part of these consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Changes in Shareholder's Deficiency
For the year ended December 31, 2020 and 2019

	Note	Share Capital Number	Share Capital Amount	Contributed Surplus	Deficit	Total	Non-Controlling Interest	Total Deficit
Balance, December 31, 2018		3,224	675,000	-	(3,227,042)	(2,552,042)	148,733	(2,403,309)
Proportionate investment in 10030712 Manitoba Ltd.		-	-	-	-	-	90,956	90,956
Share based compensation	19(b)	-	-	516,176	-	516,176	-	516,176
Net loss and comprehensive loss		-	-	-	(6,578,377)	(6,578,377)	(80,067)	(6,658,444)
Balance, December 31, 2019		<u>3,224</u>	<u>\$ 675,000</u>	<u>\$ 516,176</u>	<u>\$ (9,805,419)</u>	<u>\$ (8,614,243)</u>	<u>\$ 159,622</u>	<u>\$ (8,454,621)</u>
Balance, December 31, 2019		3,224	\$ 675,000	\$ 516,176	\$ (9,805,419)	\$ (8,614,243)	\$ 159,622	\$ (8,454,621)
Proportionate investment in 10030712 Manitoba Ltd.		-	-	-	-	-	46,333	46,333
Share based compensation	19(b)	-	-	535,568	-	535,568	-	535,568
Business combination under common control	4	-	-	(120,765)	-	(120,765)	-	(120,765)
Transfer of long-term debt	17	-	-	(143,410)	-	(143,410)	-	(143,410)
Net loss and comprehensive loss		-	-	-	(10,242,452)	(10,242,452)	(80,039)	(10,322,491)
Balance, December 31, 2020		<u>3,224</u>	<u>\$ 675,000</u>	<u>\$ 787,569</u>	<u>\$ (20,047,871)</u>	<u>\$ (18,585,302)</u>	<u>\$ 125,916</u>	<u>\$ (18,459,386)</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
Net loss	\$ (10,322,491)	\$ (6,658,444)
Operating activities		
Items not affecting cash		
Amortization of intangible assets	96,366	32,603
Depreciation of property and equipment	855,362	764,543
Finance expense	5,061,762	569,750
Share-based compensation	535,568	516,176
Government loan payable	(62,746)	-
Fair value of guarantee	415,000	-
Deferred tax (recovery) expense	-	(256,775)
Gain on acquisition of Slawner Ortho	-	(295,100)
Gain on remeasurement of contingent consideration	(40,000)	-
Gain on remeasurement of lease liability	(17,518)	-
Impairment of property and equipment	72,655	-
Loss on disposal of property and equipment	13,950	-
Impairment of intangible assets	1,500	284,007
Impairment of goodwill	2,000,699	419,722
	<u>(1,389,893)</u>	<u>(4,623,518)</u>
Changes in non-cash working capital balances		
Accounts and other receivables	(539,323)	40,745
Prepays	2,987	(34,779)
Inventory	(3,555)	313,635
Accounts payable and accrued liabilities	197,094	368,937
Deferred revenue	102,882	(118,497)
Net cash used in operating activities	<u>(1,629,808)</u>	<u>(4,053,477)</u>
Financing activities		
Net advances from related parties	103,028	3,418,240
Proceeds from credit facility with related party	888,000	5,122,000
Repayment of lease liability	(422,402)	(459,936)
Repayment of loan payable	(3,706)	(1,080)
Proceeds from government loan	120,000	-
Interest paid	(390,228)	(349,501)
Interest received	-	3,092
NCI proportionate investment in 10030712 Manitoba Ltd	-	90,956
Proceeds from convertible debentures	1,305,000	150,000
Proceeds from senior secured notes	875,000	-
Repayment of senior secured notes	(261,250)	-
Net cash provided by financing activities	<u>2,213,442</u>	<u>7,973,771</u>
Investing activities		
Acquisition of NMI	(100,000)	-
Acquisition of NACC	(500,000)	-
Acquisition of Slawner Ortho	-	(374,441)
Acquisition of 2563367 Ontario Ltd.	-	(2,934,299)
Acquisition of Slawner Ortho accounts receivable	-	(52,164)
Purchase of intangible assets	-	(5,000)
Purchase of property and equipment	(57,057)	(144,485)
Net cash used in investing activities	<u>(657,057)</u>	<u>(3,510,389)</u>
	<u>(73,423)</u>	<u>409,905</u>
Cash, beginning of year	<u>435,277</u>	<u>25,372</u>
Cash, end of year	<u>\$ 361,854</u>	<u>\$ 435,277</u>

Non-cash financing and investing activities (Note 26)

The accompanying notes are an integral part of these consolidated financial statements.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 1 – Nature of operations and going concern

The Clinic Network Canada Inc. (“the Company” or “TCNC”) is a private company, incorporated under the Canada Business Corporations Act on March 3, 2017. The Company’s primary business is the owning and operating of medical clinics specializing in chronic pain. The Company is a wholly owned subsidiary of Cura-Can Health Corp (“Cura-Can”).

The Company’s registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The Company’s ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the year ended December 31, 2020 totaled \$10,322,491 (2019 - \$6,658,444) and as at December 31, 2020 the Company had a shareholder’s deficiency of \$18,459,386 (2019 - \$8,454,621). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses, prior to becoming profitable.

In addition, the Company’s current liabilities exceed its current assets by \$21,352,796 (2019 - \$12,156,544). These balances and the changes year over year indicate that there are material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

Management has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources including the Qualifying Transaction and private placement described in the subsequent events notes (Note 31); however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

The consolidated financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and such adjustments could be material.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies

In March 2020 there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically in regional economies in which the Company operates. The Company was forced to take steps to ensure the safety of patients, staff and their families, as well as mitigate the financial impact from this pandemic. The Company, its subsidiaries, and its affiliate company, are moving to serve patients through telemedicine where it is appropriate. In addition, the Company, its subsidiaries and affiliate company were forced to close corporate offices and certain of its clinics, and temporarily layoff some of its employees and contractors (some of which were subsequently terminated), reduce hours of staff and receive government assistance in the form of Canadian Emergency Wage Subsidies (“CEWS”) and loans from the Canadian Emergency Business Account program (“CEBA”) (Note 16 and Note 22). The pandemic could continue to have a negative impact on the stock market, including the completion of the Qualifying Transaction (Note 31) and the Company’s ability to secure additional capital. These factors among others could have a significant impact on the Company’s operations. Management has given consideration as to the impact of COVID on the Company and concluded that the consolidated financial statements reflect and disclose management’s best estimate and uncertainty regarding the impact of COVID-19 on the Company’s future operations and financial results.

The consolidated financial statements of the Company were authorized for issue by the Board of Directors on May 31, 2021.

a) Statement of compliance

The consolidated financial statements, the comparatives, and the notes hereto have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as at December 31, 2020 and described in the summary of significant accounting policies.

b) New accounting policies

Amendments to accounting standards adopted during the year:

IFRS 3 – Business Combinations

The definition of a business has been amended in IFRS 3 to be “an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.” The previous definition under IFRS 3 was “an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.”

c) New accounting standards issued but not yet effective

As of the date of authorization of these financial statements, several new, but yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. The Company anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company’s consolidated financial statements.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

d) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

e) Consolidation

These consolidated financial statements of the Company include financial statements of the Company and its wholly owned subsidiaries, 9937340 Canada Inc (dba Involved Medicine), 2563367 Ontario Ltd (dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc (dba Slawner Ortho Ltee), 1964433 Alberta Ltd. and 9398252 Canada Inc (dba Lift Resource Centre) and its 51% owned subsidiary 10030712 Manitoba Ltd.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. If accounted for as a business combination, any excess of the cost over the fair values of the identifiable net assets acquired is recognized as goodwill. If accounted for as a purchase of assets, any excess of the cost over fair value of the identifiable net assets is allocated to the assets purchased.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interest. A non-controlling interest is presented as part of equity for the portion of the subsidiary's profit or loss that it not controlled by the Company.

f) Foreign Currency

Functional and presentation currency

Amounts presented in the consolidated financial statements and the notes hereto are in Canadian dollars.

Foreign currency translation

Transactions in currencies other than Canadian dollars are translated at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Exchange gains and losses on foreign currency differences are recognized in the consolidated statement of loss or comprehensive loss in the period incurred.

g) Cash

Cash consists of cash on hand and balances with banks.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

h) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as “amortized cost”, “fair value through profit or loss” or “fair value through other comprehensive income”. For financial assets, the classification depends on the Company’s business model for managing the financial assets and the cash flows based on the terms of the contract.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities at amortized cost

The Company has the following financial assets and liabilities recognized at amortized cost:

- Cash is initially recognized at fair value and subsequently measured at amortized cost.
- Accounts and other receivables and convertible debenture receivable are financial assets with fixed or determinable payments that are not quoted in an active market and held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Any interest income on these assets is recognized using the effective interest rate method. Subsequent to initial recognition, accounts and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.
- The Company’s financial liabilities at amortized cost include accounts payable and accrued liabilities, lease liabilities, credit facility with related party, due to related parties and loan payable. Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method and transaction costs incurred are deferred and amortized using the straight-line method over the term of the loan.

Financial liabilities at fair value

Debt facilities that can be converted into a variable number of equity instruments are classified entirely as liabilities.

The Company has elected to use the “fair value option” available under IFRS 9 for its convertible debentures and Hew note. Under this approach, a contract that contains one or more embedded derivatives that would normally be required to be accounted for separately can instead be accounted for in its entirety at fair value through profit or loss (“FVTPL”). As such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The difference between the transaction price and fair value on initial recognition, if any, is amortized over the term of the instrument on a straight-line basis. See Note 17 for further details on the Company’s convertible debentures and Hew note.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

h) Financial instruments (continued)

The Company also accounts for contingent consideration on business acquisitions using FVTPL.

Transaction costs related to financial liabilities classified as FVTPL are expensed as incurred. Changes in fair value of financial liabilities at FVTPL, including interest, are recognized in profit or loss within finance income or expense in the period in which they arise. The component of fair value changes relating to the Company's own credit risk, if any, is recognized in other comprehensive income (OCI). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

Impairment of financial assets

The Company's accounts and other receivables are subject to the expected credit loss model under IFRS 9 'Financial Instruments'. The Company applies the simplified approach to providing for expected credit losses for its trade receivables.

At each reporting date, the Company assesses whether there are indications that financial assets may be impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, that the loss event has an impact of the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include:

- default or delinquency by a borrower;
- indication that the borrower will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data such as adverse changes in the payment status of the borrower.

i) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and conditions necessary for the property or equipment to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows:

• Computer equipment/software	3 years
• Furniture and fixtures	5 years
• Medical equipment and machinery	5 years
• Leasehold improvements	Term of the lease
• Right-of-use assets	Term of the lease

Depreciation commences when the assets is available for use. The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjustments are accounted for prospectively, if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

j) Revenue

Revenue arises mainly from providing medical services to patients, collaboration with third parties for educational services and the sale of products.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract with customer and/or patients;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

For revenue from services delivered to patients, the Company recognizes revenue once the services have been rendered, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

For revenues derived from collaborations with third parties for delivery of educational services to patients, the Company recognizes revenue based on contracted terms with third parties once orders are received and fulfilled by the third parties. Contracted terms do not include the provision of post-service obligations.

For revenues from the sale of products, which may include fitting and customization, the Company recognizes revenue when the Company transfers control of the products to the customer, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

Revenue comprises the fair value of the consideration received or receivable for services or products delivered. The Company does not have any contracts where the period between the provision of the services and/or products to the patients and/or customers and payment by the patients/customers or third-party payer exceeds one year. As such, the Company does not adjust any of the consideration received or receivable for the time value of money. Clients may pay in advance of using the service or receiving the products in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

k) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is measured as a sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interest issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Goodwill is carried at cost less accumulated impairment losses.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

k) Business combinations and goodwill (continued)

Business combinations involving entities under common control are accounted for using the predecessor value method. This involves accounting for the assets and liabilities of the acquired business using existing carrying values. Under this method, no goodwill is recognized. However, the variance between the consideration transferred and the existing carrying values of the assets transferred, liabilities incurred, and equity interest issued is recognized in a separate component of equity. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination. The Company consolidates the results of the acquiree only from the date of combination.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

• Physician and Customer list	3-5 years
• Standard Operating Procedures	5 years
• Software	5 years
• Brand	25 years
• Group billing number	Indefinite useful life

Intangible assets with finite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of amortization is reviewed at least annually.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

m) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs of inventory include costs of purchase, costs of conversion, and any other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include direct costs (materials) and indirect costs (variable production overheads). Raw materials are assigned costs by using a weighted average cost formula and work-in-progress, and finished goods are assigned costs by using a weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

n) Research and development costs

Research costs are charged as an expense in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

o) Leases

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and/or; (iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company presents right-of-use assets in property and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability may be compromised of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price under purchase option that the Company is reasonably certain to exercise; (v) lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and (vi) penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of loss. Lease payments for short-term leases and for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

p) Cost of sales

Cost of sales includes the cost of physician consultants, medical supplies, products, raw materials, license fees, and shipping.

q) Government assistance

Government assistance is recognized when there is reasonable assurance that the Company will comply with the conditions attached and the Company is reasonably certain that the government assistance will be received. Grants that compensate the Company for expenses incurred are recognized as a reduction to the related expense on a systematic basis in the periods in which the expenses are recognized.

Loans received from government are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received, being recorded as government grant gain in the statements of loss and comprehensive loss.

r) Share-based compensation

Share-based payments are accounted for using the fair value method.

The Company issues equity-settled share-based awards to eligible employees, directors, officers, and consultants. The fair value of options granted to employees, officers and directors are determined using a Black-Scholes option pricing model at the grant date and expensed over the vesting period with a corresponding increase in contributed surplus. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Contributed surplus related to stock options which expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statement of financial position.

s) Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current taxes

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

s) Income taxes (continued)

Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probably that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that is no longer probable that they can be utilized. Deferred income tax assets and liabilities are presented as non-current and are determined on a non-discounted basis.

t) Impairment of non-financial assets and goodwill

Non-financial assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill and intangible assets with an indefinite useful life, the Company tests for impairment at least annually as required under IAS 36. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts where the recoverable amount of an asset cannot be determined, the assets are grouped at the lowest levels for which there are separately identifiable cash generating units ("CGUs").

The CGUs are the smallest identifiable group of assets that generate cash flows independent of cash flows of other groups of assets. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset's fair value less costs of disposal and 2) value in use. Value in use of each CGU is determined using estimated discounted cash flows, which include estimates of future cash flows and determination of the discount rate. The fair value less costs of disposal is based on available data from sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Impairment loss is recorded in the period when it is determined that the carrying amount of the asset, or its CGU, may not be recoverable. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, at the end of each reporting period, the Company makes an assessment as to whether there is any indication that previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset's, or its CGU's recoverable amount, and compares it to the carrying amount, net of accumulated depreciation and amortization that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

u) Fair value measurement

The Company classifies its deferred acquisition costs, contingent payments, convertible note, and convertible debentures at FVTPL.

The Company determines the fair value of items held at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

v) Provisions and contingencies

Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at managements' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

w) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share reflects the potential dilution that would occur if there were stock options, warrants, or other convertible securities that were exercised or converted. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding arising from the exercise or conversion of potentially dilutive stock options, warrants, or other convertible securities outstanding during the year.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 2 – Basis of presentation and significant accounting policies (continued)

w) Earnings (loss) per share

The Company uses the treasury method for outstanding options which assumes that the proceeds that could be obtained upon exercise of options are used to purchase the Company's common shares at the fair market value or average market price during the year. Anti-dilutive amounts are not considered in computing diluted earnings (loss) per share.

x) Share capital and contributed surplus

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects. The cost of repurchased common shares is recognized as a reduction of share capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

For equity offerings of units consisting of a common share and a warrant or participation right, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant or participation right. The fair value of warrants or participation rights, as calculated at the date of issue using a Black-Scholes pricing model or other appropriate method, is included in contributed surplus.

Contributed surplus related to stock options and warrants which expire unexercised is reclassified to deficit and remains with the equity section of the consolidated statements of financial position.

Note 3 – Significant accounting estimates and judgments

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

In certain acquisitions, the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 3 – Significant accounting estimates and judgments (continued)

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income tax

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

f) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 3 – Significant accounting estimates and judgments (continued)

g) Share-based compensation

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair value at the date of grant. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in assumptions can significantly affect the fair value estimate.

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

j) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

k) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 3 – Significant accounting estimates and judgments (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses. Actual collectability of customer balances can vary from the Company's estimation.

b) Impairment of non-financial assets

The Company tests property, plant and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property, plant and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances discussed in Note 8 and 9

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 4 – Business combinations

a) Natural Health Services Ltd.

On November 24, 2020, TCNC purchased specific assets of Natural Health Services Ltd. ("NHS"), a wholly owned subsidiary of Cura-Can, in exchange for a non-interest-bearing demand promissory note for an amount equal to \$215,330. The combining entities are ultimately controlled by the same parties prior to and subsequent to the business combination, which is considered a transaction under common control. The Company has elected to apply predecessor accounting to the transaction and as such, all assets and liabilities acquired are transferred at the carrying values from the predecessor company and no fair value adjustment was recorded. No goodwill is recorded for the difference between the net assets acquired and consideration paid, resulting in an adjustment to equity.

Fair value of consideration transferred	
Promissory note	\$ 215,330
Recognized amounts (predecessor carrying values)	
Assets acquired	
Software	\$ 81,260
Computer equipment	15,310
Right-of-use asset	<u>45,870</u>
	142,440
Less fair value of liabilities assumed	
Lease liability	<u>\$ 47,875</u>
Net identifiable assets acquired and liabilities assumed	94,565
Total recognized net assets	<u><u>\$ 120,765</u></u>

Since the date of acquisition, the revenues from NHS were \$155,020 and the net loss (excluding acquisition costs) was \$93,344 which is included in the year ended December 31, 2020.

If the assets were acquired January 1, 2020, for all business combinations completed during the year the consolidated revenues would have totaled \$12,522,924 for the year ended December 31, 2020. If the assets were acquired January 1, 2020, for all business combinations completed during the year, the Company estimates that it would have reported consolidated net loss of \$12,355,583 for the year ended December 31, 2020.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 4 – Business combinations (continued)

b) National Access Canada Corporation (“NACC”) and Meta Growth Corp

Clinics

On June 26, 2020, the Company acquired additional assets and operations from NACC and its sole shareholder, Meta Growth Corp. (“Meta”), for an aggregate purchase price of a maximum of \$800,000, including cash of \$500,000 and an earn-out bonus of up to \$300,000. The acquisition was done to give the Company access to a medical cannabis database of over 28,000 patients served under Health Canada’s medical cannabis regulations by NACC’s virtual care platform (non-physical clinics).

The earn-out bonus is determined based on the number of patients on the patient list transferred that renews their annual medical document in the first 12 months after closing. The earn-out bonus is payable in common shares, if the Company’s shares are listed on a public exchange within 12 months of closing, or cash. On acquisition, the probability fair value of the contingent consideration was estimated to be \$210,000 based on the Company’s estimate of the performance targets being achieved. The measurement of the contingent consideration is impacted by estimated probabilities of the likelihood that the performance targets will be met and are multiplied by the specified consideration payable. These estimated probabilities are highly subjective and are significantly impacted by budgeted and actual results as of the acquisition date, and subsequent thereto for period end revaluations. At the date of acquisition, the Company estimated a 70% probability of the earn-out bonus being achieved (\$210,000). Any additional changes in future estimates of fair value of the contingent consideration payable may be significant and such changes will continue to be recognized within profit and loss in subsequent periods.

At December 31, 2020, on review of the results, management adjusted the probability fair value of the contingent consideration to \$170,000 based on the Company’s estimate of the performance targets being achieved. At December 31, 2020, the Company estimated a 57% probability of the earn-out bonus being achieved (\$170,000). The change in the estimate of fair value, \$40,000, is recognized in profit and loss as a gain on remeasurement of contingent liability as the original purchase allocation is not adjusted.

The total consideration transferred, and the fair value of identifiable assets acquired as a result of the acquisition, are as follows:

Fair value of consideration transferred	
Cash	\$ 500,000
Fair value of contingent consideration	210,000
	\$ 710,000
Fair value of identifiable assets acquired	
Customer List	301,166
Brand Value	70,751
	\$ 371,918
Goodwill	338,082
Fair value of identifiable assets acquired	\$ 710,000

The goodwill recognized on the acquisition represents expected expanded operations and included intangible assets that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes. The total acquisition costs related to this transaction were \$94,213 and are included in professional and consulting fees within selling, general and administrative expenses. Since the date of acquisition, the revenues from NACC clinics were \$322,977 and the net loss (excluding acquisition costs) was \$74,468 which is included in the year ended December 31, 2020.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 4 – Business combinations (continued)

c) Nature Medic Inc

On April 28, 2020, the Company entered into a memorandum of understanding (“MOU”) with Nature Medic Inc (“NMI”) in which the Company and NMI entered into an interim service agreement leading to the potential purchase of the assets of NMI.

Under the MOU, NMI assisted the Company in the development of telemedicine and clinic services in Quebec to support and deliver on the Company's national contracts for medical cannabis, including preferred licensed producer relationships. NMI provided the services through its physician, nursing and support staff at its Quebec clinic and conducted telemedicine services. In exchange for services provided, the Company paid \$88,250 for the year ended December 31, 2020 for NMI's operating expenses and received all patient and licensed seller revenue associated with the services.

On August 31, 2020, the Company acquired the assets of NMI for the purchase price of \$400,000, including contingent consideration of \$50,000. Consideration transferred included cash of \$100,000 and an unsecured non-interest bearing 12-month convertible promissory note for up to \$300,000 of which \$50,000 is contingent on financial performance.

The contingent payment of \$50,000 was recorded at its estimated fair value of \$nil. This was determined considering the probability that NMI would achieve EBITDA above the levels resulting in additional payment.

The convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. The Company may repay the note with out notice or penalty. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discount from the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then the Company will either: (i) issue additional common shares to NMI) equal to the indebtedness less the value of the converted shares on the date immediate after the hold period (“hold value”); (ii) pay to NMI an amount equal to the hold value in cash.

With the conversion features of the convertible promissory note, there is an obligation to issue a variable number of shares, consequently the conversion feature is an embedded derivative and is classified as a liability as it fails the “fixed for fixed” criterion. The Company has classified the convertible promissory note as a financial liability at fair value through profit and loss under IFRS 9 Financial Instruments. On August 31, 2020, the fair value of the convertible promissory note was \$236,111. At December 31, 2020 the fair value of the convertible promissory note remained unchanged.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 4 – Business combinations (continued)

c) Nature Medic Inc (continued)

The total consideration transferred, and the fair value of identifiable assets acquired and liabilities assumed as a result of the acquisition, are as follows:

Fair value of consideration transferred	
Cash	\$ 100,000
Deferred acquisition cost	236,111
	<u>\$ 336,111</u>
Fair value of identifiable assets acquired	
Right-of-use asset	\$ 80,819
Brand	111,065
	<u>191,884</u>
Less fair value of liabilities assumed	
Lease liability	80,819
Net identifiable assets acquired and liabilities assumed	<u>111,065</u>
Goodwill	225,046
Net identifiable assets acquired	<u><u>\$ 336,111</u></u>

The goodwill recognized on the acquisition represented expected expanded operations and included intangible assets that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes. The total acquisition costs related to this transaction were \$33,691 and is included in professional and consulting fees within selling, general and administrative expenses.

Since the date of acquisition, the revenues from NMI were \$89,568 and the net loss (excluding acquisition costs) was \$108,412 which is included in the year ended December 31, 2020.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 4 – Business combinations (continued)

2019 Business Combinations:

Slawner Ortho

On March 11, 2019, the Company incorporated a new entity (9393 1681 Quebec Inc - “Slawner Ortho”) and purchased certain assets and assumed certain liabilities of insolvent J. Slawner Ortho from the court appointed receiver. Slawner Ortho specializes in custom orthotics, prosthetics and home health care products. The acquisition was completed to add comprehensive pain management products to the Company’s current complement of services. Consideration for the purchase consisted of a deposit of \$25,000 paid on March 5, 2019 and payment of \$349,441 on March 18, 2019.

The total consideration transferred, and the fair value of identifiable assets acquired and liabilities assumed and gain on purchase recognized, as a result of the acquisition, are as follows:

Fair value of consideration transferred	
Cash	\$ 374,441
	<u>\$ 374,441</u>
Fair value of identifiable assets acquired	
Inventory	\$ 589,508
Prepays	35,185
Equipment	57,357
Right-of-use assets	2,136,724
Brand	57,378
	<u>2,876,152</u>
Less fair value of liabilities assumed	
Lease liabilities	2,136,724
Employee liability	77,771
	<u>2,214,495</u>
Net identifiable assets acquired and liabilities assumed	661,657
Gain on purchase of Slawner Ortho	
	287,216
	<u>\$ 374,441</u>

As J. Slawner Ortho was being sold due to bankruptcy, the Company was able to purchase certain assets and assume certain liabilities of J. Slawner Ortho for less than fair value resulting in a gain on purchase of \$287,216. The total acquisition costs related to this transaction were \$144,308 and are included in professional and consulting fees within selling, general and administrative expenses.

Since the date of acquisition, the revenues from Slawner Ortho were \$2,141,628 and the net loss (excluding acquisition costs) was \$337,727 for the year ended December 31, 2019. If the assets were acquired January 1, 2019, the consolidated net loss would have totaled \$7,072,554 for the year ended December 31, 2019.

On May 1, 2019, Slawner Ortho purchased accounts receivable from the receiver at the bargain price of \$52,164. The fair value of the purchased accounts receivable was \$60,048, resulting in a gain on purchase of \$7,884. The gross contractual amount of the purchased receivables was \$140,626 and the Company’s estimate of the contractual cash flows not expected to be collected at the acquisition date was \$80,578.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 4 – Business combinations (continued)

2563367 Ontario Ltd o/a Silver Medical Group Centre for Pain Care

Effective January 1, 2019, the Company acquired all the issued and outstanding shares of Silver Medical Group Centre for Pain Care (“Silver”). Silver operates an out of hospital chronic pain clinic. The acquisition was completed to add comprehensive pain management competencies to the Company’s current complement of services. Consideration for the acquisition of Silver was a cash payment of \$3,000,000.

The total consideration transferred, and the fair value of identifiable assets acquired and liabilities assumed and goodwill recognized, as a result of the acquisition, are as follows:

Fair value of consideration transferred	
Cash	\$ 3,000,000
Cash acquired	(65,701)
	<u>\$ 2,934,299</u>
Fair value of identifiable assets acquired	
Accounts receivable	\$ 112,931
Inventory	26,200
Prepays	7,329
Equipment	308,375
Group billing number	180,761
Brand	565,438
	<u>1,201,034</u>
Less fair value of liabilities assumed	
Payables and accruals	81,853
Loan payable	3,593
Deferred tax liability	181,988
	<u>933,600</u>
Net identifiable assets acquired and liabilities assumed	
	933,600
Goodwill	2,000,699
	<u>\$ 2,934,299</u>

The goodwill recognized on the acquisition of Silver represented expected expanded operations and included intangible assets that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes. The total acquisition costs related to this transaction were \$31,900 and is included in professional and consulting fees within selling, general and administrative expenses.

Since date of acquisition, the revenues included in the year ended December 31, 2019 from Silver were \$3,738,226 the net loss (excluding acquisition costs) was \$853,056.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 5 – Accounts and other receivables

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 939,534	\$ 178,354
Sales tax recoverable	134,984	234,757
Other	-	121,068
	\$ 1,074,518	\$ 534,179

In February 2019, the Company transferred accounts receivable balances of \$126,097 to its parent company, Cura-Can Health Corp. (“Cura-Can”), to partially repay indebtedness owed by the Company.

Note 6 – Inventory

Inventory is comprised of the following:

	December 31, 2020	December 31, 2019
Raw materials	\$ 58,656	\$ 35,263
Finished goods	246,972	266,810
	\$ 305,628	\$ 302,073

Inventories expensed to cost of goods sold during the year ended December 31, 2020 are \$617,278 (2019 - \$910,052).

Note 7 – Property and equipment

Cost	Leasehold improvement	Computer equipment	Medical equipment and machinery	Furniture and fixtures	Construction in progress	Right-of-use assets	Total
Balance at January 1, 2019	\$ -	\$ 2,629	\$ 232,165	\$ 67,815	\$ 13,918	-	\$ 316,527
Adjustment to transition to IFRS 16	-	-	-	-	-	593,409	593,409
Acquired through business combination (Note 4)	105,000	34,530	184,633	41,569	-	2,136,724	2,502,456
Additions	42,976	29,173	36,876	2,210	33,250	1,522,222	1,666,707
Balance at December 31, 2019	\$ 147,976	\$ 66,332	\$ 453,674	\$ 111,594	\$ 47,168	\$ 4,252,355	\$ 5,079,099
Acquired through business combination (Note 4)	-	-	-	-	-	80,819	80,819
Acquired through business combination under common control (Note 4)	-	22,263	-	-	-	96,327	118,590
Lease modification	-	-	-	-	-	(57,986)	(57,986)
Disposal of assets	-	(7,471)	(14,437)	-	-	-	(21,908)
Transfer to leasehold improvement	47,168	-	-	-	(47,168)	-	-
Additions	5,376	11,383	40,298	-	-	-	57,057
Balance at December 31, 2020	\$ 200,520	\$ 92,507	\$ 479,535	\$ 111,594	\$ -	\$ 4,371,515	\$ 5,255,671

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 7 – Property and equipment (continued)

Accumulated Depreciation and impairment	Leasehold improvement	Computer equipment	Medical equipment and machinery	Furniture and fixtures	Construction in progress	Right-of-use assets	Total
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation for the year	20,708	15,171	83,541	20,943	-	624,180	764,543
Balance at December 31, 2019	\$ 20,708	\$ 15,171	\$ 83,541	\$ 20,943	\$ -	\$ 624,180	\$ 764,543
Acquired through business combination under common control (Note 4)	-	6,953	-	-	-	50,457	57,410
Impairment of asset	-	-	-	-	-	72,655	72,655
Disposal of assets	-	(3,983)	(3,975)	-	-	-	(7,958)
Lease modification	-	-	-	-	-	(37,129)	(37,129)
Depreciation for the period	36,460	22,859	92,461	22,318	-	681,264	855,362
Balance at December 31, 2020	\$ 57,168	\$ 41,000	\$ 172,027	\$ 43,261	\$ -	\$ 1,391,427	\$ 1,704,883
Net Book Value							
As at December 31, 2019	\$ 127,268	\$ 51,161	\$ 370,133	\$ 90,651	\$ 47,168	\$ 3,628,175	\$ 4,314,556
Balance at December 31, 2020	\$ 143,352	\$ 51,507	\$ 307,508	\$ 68,333	\$ -	\$ 2,980,088	\$ 3,550,788

In December 2020, the Company did not renew its option to extend a lease. On the initiation of the lease, the Company expected to take advantage of the one year renewal option of the lease and terminate the lease on October 31, 2021. The remeasurement of the lease liability resulted in a reduction of the lease liability of \$38,376 and a decrease in the right-of-use assets for \$20,858, resulting in a gain of \$17,518 included in the gain on remeasurement of lease liability on the consolidated statement of loss and comprehensive loss.

The Company reviews the carrying value of its property and equipment at each reporting period for indicators of impairment. Upon completion of its review for the year ending December 31, 2020, management determined that the impact of the COVID-19 global pandemic was an indicator of potential impairment. The impairment was calculated in accordance with the Company's accounting policies, on a basis of fair value less cost of disposal ("FVLCD"). The calculation of the fair value less cost of disposal of the related CGU was on the same key assumptions utilized in the intangible asset and goodwill impairment analysis per Note 8 and 9.

At December 31, 2020, the Company wrote off medical equipment and computer hardware with a net book value of \$10,462 and \$3,488 as the assets were no longer in use.

The Company also impaired the right-of-use asset related to a lease in one of its Ontario locations which was vacated. The Company is currently looking to sublease the space. The estimated cashflows expected from the sublease were calculated using level 3 inputs using a discounted cash flow method. The expected sublease rates were based on an average of office lease rates in the city and used a discount rate of 10%. The Company has recorded an impairment of the right-of-use asset of \$72,655 related to this lease. Additionally, the Company has just over one month of unpaid rent owing of \$21,170 which is included in accounts payable and accrued liabilities related to this property.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 8 – Intangible assets

	Group billing number	Brand	Customer & Physician List	Standard Operating Procedures	Software	Total
Gross Carrying Amount						
Balance at January 1, 2019	\$ 141,212	\$ 148,745	\$ -	\$ -	\$ 500,000	\$ 789,957
Acquired through business combination (Note 4)	180,761	622,816	-	-	-	803,577
Additions	-	-	5,000	-	-	5,000
Balance at December 31, 2019	321,973	771,561	5,000	-	500,000	1,598,534
Acquired through business combination (Note 4)	-	181,816	301,166	-	-	482,982
Acquired through business combination under common control (Note 4)	-	-	-	-	100,000	100,000
Disposal	-	-	(5,000)	-	-	(5,000)
Additions	-	-	-	200,000	-	200,000
Balance at December 31, 2020	\$ 321,973	\$ 953,377	\$ 301,166	\$ 200,000	\$ 600,000	\$ 2,376,516
Accumulated Amortization and Impairment						
Balance at January 1, 2019	-	-	-	-	500,000	500,000
Additions	-	32,603	-	-	-	32,603
Impairment	141,212	142,795	-	-	-	284,007
Balance at December 31, 2019	141,212	175,398	-	-	500,000	816,610
Acquired through business combination under common control (Note 4)	-	-	-	-	18,740	18,740
Disposal	-	-	(1,000)	-	-	(1,000)
Additions	-	29,861	31,117	33,333	2,055	96,366
Balance at December 31, 2020	\$ 141,212	\$ 205,259	\$ 30,117	\$ 33,333	\$ 520,795	\$ 930,716
Net Book Value						
As at December 31, 2019	\$ 180,761	\$ 596,163	\$ 5,000	\$ -	\$ -	\$ 781,924
As at December 31, 2020	\$ 180,761	\$ 748,118	\$ 271,049	\$ 166,667	\$ 79,205	\$ 1,445,800

National Access Cannabis Medical

On March 6, 2020, the Company acquired certain assets from National Access Cannabis Medical (“NACM”) for an aggregate purchase price of \$1,200,000, including a convertible note of \$200,000 (Note 17) and a maximum earn-out bonus of \$1,000,000. The Company completed the acquisition for the purpose of obtaining the standard operating protocols related to the Medical Cannabis Management System (“MCMS”). MCMS was designed to be implemented in retail pharmacies, with the overarching goals of providing access points for medical cannabis care and enabling pharmacists to offer medical cannabis assessments to appropriate pharmacy patients.

The earn-out bonus of up to \$1,000,000 is determined based on performance in each of the three years after closing and payable in common shares. The contingent payment of \$1,000,000 was recorded at its estimated fair value of \$nil. This was determined considering the probability that NACM would earn revenues above the levels that triggers additional payment.

Other additions

December 31, 2020

Customer list of \$301,166 and brand of \$70,751 arose from the acquisitions of National Access Cannabis Medical Clinic business (Note 4). Brand of \$111,065 arose from the acquisition of NMI in 2020 (Note 4). Software with a cost of \$100,000 and accumulated depreciation of \$18,739 arose from the acquisition of certain assets from NHS (Note 4).

December 31, 2019

Group billing number of \$180,761 and brand of \$565,438 arose from the acquisition of Silver in 2019 and have been allocated to that CGU (Note 4). Brand of \$57,378 arose from the acquisition of Slawner Ortho in 2019 and has been allocated to that CGU (Note 4).

The Clinic Network Canada Inc.
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Note 8 – Intangible assets (continued)

Impairments

The Company reviews the carrying value of the intangible assets at each reporting period for indicators of impairment. Upon completion of this review for the year ending December 31, 2020, it was determined the impact of the COVID-19 global pandemic resulted in underperforming operating results for the Silver CGU. However, since the acquisitions related to the Virtual clinics CGU occurred after the first quarter of fiscal 2020, the impact of the COVID-19 global pandemic had been accounted for in the asset purchase price allocation. As such, there were no indicators of impairment for the Virtual clinics CGU.

The carrying values of the Virtual clinics and Silver CGU were \$696,337 and \$700,964 respectively as at December 31, 2020.

The calculation of the fair value less cost of disposal for the Silver CGU was based on the same key assumptions utilized in the goodwill impairment analysis. Refer to Note 9.

In fiscal 2019, due to a loss in key personnel, the Company suspended the operations of Involved Medicine on an indefinite basis. As a result, the recoverable amount of the Involved Medicine CGU was less than the carrying amount and the related group billing number and brand of \$141,212 and \$142,795 respectively were considered impaired and expensed as an impairment charge.

Note 9 – Goodwill

Balance at January 1, 2019	\$	419,722
Acquired through business combination (Note 4)		
Silver Medical Group Centre for Pain Care		2,000,699
Impairment		(419,722)
Balance at December 31, 2019		2,000,699
Acquired through business combinations (Note 4):		
National Access Canada Corporation		338,083
Nature Medic Inc.		225,046
Impairment		(2,000,699)
Balance at December 31, 2020	\$	<u><u>563,129</u></u>

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 9 – Goodwill (continued)

Impairment

At December 31, 2020, the Company performed its annual goodwill impairment test. The carrying amount of goodwill allocated to each CGU was as follows: Silver \$2,000,699 and Virtual clinics \$563,129. Based on the results of the test, the Company concluded that the recoverable amount of the Silver CGU was less than its carrying amount which indicated goodwill was impaired by \$2,000,699.

The recoverable amount of goodwill was determined based on fair value less costs of disposal, using a five-year forecast, based on estimated growth rates for revenue and financial budgets and forecasts approved by management. The fair value measurement is designated Level 3 on the fair value hierarchy.

The Company estimated fair value using market information and discounted after-tax cash flow projection, which is known as the income approach. The income approach used the CGU's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions.

The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2020 and 2019 impairment test, the Company discounted its cash flows using after-tax discount rates for each CGU as follows: Virtual clinics of 20%, and Silver of 15% (2019 - 15%) and Slawner Ortho of 20% (2019 - 20%). To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period.

Management's key assumptions to cash flow forecasting include greater than 21% annual increases in revenue from anticipated additional service to be offered, growth in the number of physicians, and gross margins based on the industry segment that the segment operates in. The revenue growth rates and discount rate are the key assumptions in the calculation of value in use.

The Company performed sensitivity analysis on these key assumptions:

Virtual Clinics

- Based on a decrease of 10% of projected annual revenues, the impairment of goodwill and intangible assets would be \$nil;
- Based on an increase of 1% in the discount rate, the impairment of goodwill and intangible assets would be \$nil.

Silver

- Based on a decrease of 10% of projected annual revenues, the impairment of goodwill would be \$2,000,699 and intangible assets of \$700,964;
Based on an increase of 1% in the discount rate, the impairment of goodwill would be \$2,000,699 and intangible assets of \$129,568.

During the year ending December 31, 2019, the Company completed a goodwill impairment test and concluded that the recoverable amount was less than the carrying amount for the Involved Medicine GGU, resulting in goodwill impairment of \$419,722.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 10 – Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
Accounts payable	\$ 570,474	\$ 464,816
Other accrued liabilities	401,516	318,869
Finance and interest payable	123,782	-
Fair value of guarantee (Note 28)	415,000	-
Contingent consideration (Note 4b)	170,000	-
Employee liabilities	331,029	264,165
	<u>\$ 2,011,801</u>	<u>\$ 1,047,850</u>

Note 11 – Deferred revenue

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ -	\$ 118,497
Prepayment – funds received	982,038	-
Revenue recognized - cannabis education services	(879,156)	(118,497)
Balance, end of year	<u>\$ 102,882</u>	<u>\$ -</u>

Note 12 – Lease liability

	December 31, 2020	December 31, 2019
Opening balance	\$ 3,788,664	\$ 593,409
Acquired through business combination (Note 4)	80,819	2,136,724
Acquired through business combination under common control (Note 4)	47,875	-
Additions	-	1,522,222
Remeasurement of lease liability	(38,376)	-
Rent concession	(40,703)	-
Repayment of lease liability	(422,402)	(459,936)
Other	(4,613)	(3,755)
Balance December 31,	<u>3,411,264</u>	<u>3,788,664</u>
Current lease liabilities	<u>742,073</u>	<u>553,734</u>
Non-current lease liabilities	<u>\$ 2,669,191</u>	<u>\$ 3,234,930</u>

The Company's lease liabilities are for real estate, including the Company's head office and clinic locations, with lease terms typically ranging from 1 to 10 years. Future undiscounted cash out flows for lease liabilities are disclosed as part of total contractual liabilities in Note 24.

The Clinic Network Canada Inc.
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Note 12 – Lease liability (continued)

For the year ended December 31, 2020, the Company recognized depreciation expense of \$681,264 (2019- \$624,180). The total cash outflow for leases for the year ended December 31, 2020 was \$847,044 (2019- \$809,437).

In December 2020, the Company did not renew its option to extend a lease. On the initiation of the lease, the Company expected to take advantage of the one year renewal option of the lease and terminate the lease on October 31, 2021. The remeasurement of the lease liability resulted in a reduction of the lease liability of \$38,376 and a decrease in the right-of-use assets for \$20,858, resulting in a gain of \$17,518 included in the gain on remeasurement of lease liability on the consolidated statement of loss and comprehensive loss.

Excluded from the calculation of the lease liabilities are variable lease payments that do not depend on an index or a rate, which will include utilities, common area maintenance costs, property tax or any additional service payments. Also excluded from lease liabilities are short-term and low-value assets. The expense related to payments not included in the measurement of lease liabilities is as follows:

	2020
Leases of low value assets	\$ 9,096
Variable lease payments	422,973
	<u>\$ 432,069</u>

Note 13 – Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by its parent, Cura-Can, key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Due from/to related parties

Related party balance consists of amounts owing from related parties:

	December 31, 2020	December 31, 2019
Due from Natural Health Services, a subsidiary of Cura-Can	\$ -	\$ 70,000
Due from Pathway Health Corp, a subsidiary of Cura-Can	30,296	-
Due from key management, net	36,800	-
	<u>\$ 67,096</u>	<u>\$ 70,000</u>

The Clinic Network Canada Inc.
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Note 13 – Related party transactions (continued)

Related party balance consists of amounts owing to related parties:

	December 31, 2020	December 31, 2019
Due to Cura-Can	\$ 5,387,563	\$ 6,591,885
Promissory Grid note due to Cura-Can	88,000	-
Due to Natural Health Services, a subsidiary of Cura-Can	205,508	-
Due to key management	-	64,419
	<u>\$ 5,681,071</u>	<u>\$ 6,656,304</u>

Aside from the Promissory Grid note, the amounts above are non-interest bearing and have no fixed term of repayments. In addition to the above, the Company's credit facility is due to Cura-Can (Note 14). The amounts due to Natural Health Services ("NHS") include a non-interest bearing promissory note of \$35,186 and an intercompany payable of \$170,322.

On September 23, 2020, Slawner Ortho entered into a demand grid promissory note ("Promissory Note") due to Cura-Can, for gross proceeds of \$80,000 and a \$8,000 financing fee which was added on to the principal balance. The Promissory Note bears interest at 12% per annum and is due on demand. As of December 31, 2020, there was \$88,000 outstanding on the Promissory Note. The Company recorded \$8,000 in financing fees which became part of the principal of the note and \$2,864 of interest (included in accounts payable and accrued liabilities) for the year ended December 31, 2020.

Other related party transactions

In fiscal 2020, certain members of management participated in the convertible debentures issued for a total of a \$25,000 principal investment. See Note 17 for details on the terms of the convertible debentures.

See Note 31 Subsequent Events for details on a related party Bridge Loan.

The Company has issued a guarantee to a company that is the majority shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can (Note 14). In fiscal 2020, the Company's parent (Cura-Can) amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As a result, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. The credit facility matures March 1, 2021. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

In February 2019, the Company transferred accounts receivable balances of \$129,170 to Cura-Can to partially repay its indebtedness owed to Cura-Can.

The Clinic Network Canada Inc.
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Note 13 – Related party transactions (continued)

In November 2019, Cura-Can entered into a secured convertible promissory note ("Hew Note") with a Cura-Can shareholder in the principal amount of \$1,150,000. The secured note bears interest at 10% and matures August 5, 2020 (subsequently extended to December 31, 2020), after which time the amount outstanding becomes due on demand. The amount outstanding under the Hew Note, including principal, interest and unpaid fees, is convertible at the option of the holder into Class A common shares of Cura-Can. The Hew Note is convertible at \$0.90 per share for the first year and, thereafter, at the lesser of \$0.50 per share or the price established in connection with an arm's length third party transaction. Alternatively, the holder may elect to convert the indebtedness into common shares of the TCNC, if the right to convert is exercised immediately prior to a liquidity event of TCNC. The conversion price in that case is 90% of the market price established through such liquidity event. A liquidity event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Subject Company (Cura-Can or TCNC), a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Subject Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the board of directors. The convertible promissory note may be repaid at any time at the option of Cura-Can. The holder may elect to exercise the conversion option in lieu of accepting repayment. See Note 17 for the assignment of the note to the Company.

In December 2019, Cura-Can entered into a business combination in which the consideration transferred included common shares of Cura-Can that may be exchanged into common shares of the Company, at the Vendor's option, when a liquidity event occurs. The number of common shares of the Company that may be issued in exchange for Cura-Can shares is based on the percentage of Cura-Can shares held by the Vendor at the date of notice of the liquidity event. A liquidity event is defined as the following events in respect of TCNC, whichever is earliest to occur: (i) an event resulting in TCNC becoming a reporting issuer; (ii) the filing of a final prospectus in relation to an initial public offering of any securities of TCNC; (iii) the filing of a final decision document in relation to a reverse take-over whereby a publicly listed company acquires all the issued and outstanding securities of TCNC; or (iv) a change in control of TCNC.

Management Agreement with Natural Health Services

As of January 1, 2020, the Company entered into a Management Agreement with Natural Health Services ("NHS"), a subsidiary of Cura-Can, to provide administrative, accounting, financial, project management and evaluation of projects services. There was \$161,333 of management fees recognized for the year ended December 31, 2020 (2019 - \$nil). On November 23, 2020, the management agreement was terminated.

On November 24, 2020, TCNC purchased specific assets of Natural Health Services Ltd. ("NHS"), a wholly owned subsidiary of Cura-Can, in exchange for a non-interest-bearing demand promissory note for an amount equal to \$215,330. See Note 4. As at December 31, 2020 the promissory note had a balance of \$35,186.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 13 – Related party transactions (continued)

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the period are as follows:

	December 31, 2020	December 31, 2019
Consulting fees	\$ -	\$ 30,000
Compensation (including benefits)	813,308	908,770
Share-based compensation	535,568	516,176
	<u>\$ 1,348,876</u>	<u>\$ 1,454,946</u>

Note 14 – Credit facility with related party

In March of 2019, the Company entered into a debt facility agreement with its parent company, Cura-Can. The facility is unsecured and carries a coupon of 10%, compounded monthly. The credit facility is being used to fund the operations of the Company. The amount owing as at December 31, 2020 is as follows:

	December 31, 2020	December 31, 2019
Principal	\$ 9,168,616	\$ 5,122,000
Interest	1,458,548	215,528
Deferred financing costs	(68,117)	-
	<u>\$ 10,559,047</u>	<u>\$ 5,337,528</u>

The credit facility matures March 1, 2021. The facility may be repaid at any time at the option of the Company. If not repaid prior to February 28, 2020, a repayment fee is added to the principal balance outstanding. The repayment fee is equal to one half of the outstanding principal and accrued interest at February 28, 2020, plus the interest that would have accrued if the repayment fee had been applied at the commencement of the loan. All draws on the credit facility after February 28, 2020 are subject to the same repayment fee penalty. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

The Company's credit facility was not repaid prior to February 28, 2020. As a result, a repayment fee equal to \$3,198,334 was added to the principal balance of the credit facility as at February 29, 2020. The repayment fee is included in finance expense in the consolidated statement of loss and comprehensive loss. In June 2020, the Company took an additional draw of \$500,000. This resulted in a repayment fee of \$283,818, representing one half of the principal taken (\$250,000) and the interest that would have accrued if the repayment fee had been applied at the commencement of the loan (\$33,818). The \$283,818 has been included as deferred financing cost.

At December 31, 2019, the Company expected to repay the credit facility prior to February 28, 2020. As a result, the repayment fee was not been included in the credit facility's amortized cost and the credit facility is presented in current liabilities at December 31, 2019.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 15 – Senior secured notes

	Series I	Series II	Total
Principal	660,000	41,250	701,250
Deferred financing fees	(32,243)	(4,034)	(36,277)
Balance, December 31, 2020	<u>627,757</u>	<u>37,216</u>	<u>664,973</u>

In 2020, the Company entered into agreements for the issuance of \$660,000 (\$600,000 net of loan fees) in senior secured notes (the “Series I Notes”), including \$440,000 with related parties. In October 2020, the Company amended the agreements and issued an additional \$302,500 (\$275,000 net of loan fees) in senior secured notes (the “Series II Notes”), including \$240,625 with related parties.

The Notes bear coupon interest at a rate of 20% per annum, payable in arrears on maturity and monthly thereafter. In addition, a loan structuring fee of 10% and an exit fee equal to 5% of the principal and interest outstanding is payable at the earlier of the maturity date or date of repayment.

The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand. The Notes may be repaid within 90 days of issuance subject to either: (a) the consent of two-thirds of the note holders, or (b) payment of the principal outstanding plus the equivalent of three months interest and the exit fee. After this time, the Notes may be repaid at the option of the Company. The Series II Notes must be repaid and fully satisfied prior to any prepayment or repayment of the Series I Notes.

The Notes are secured by a general security agreement and rank senior to the Company’s guarantee of its parent company debt.

On December 31, 2020, the Company paid \$261,250 in principal and \$22,833 in interest and exit fees to certain holders of the Series II Notes.

The Notes are presented net of deferred financing costs, which are amortized over the life of the loan.

For the year ended December 31, 2020, total amortized deferred financing fees were \$120,544 and \$89,519 of interest expense. Included in accounts payable and accrued liabilities as at December 31, 2020 is \$117,313 of accrued interest and exit fees payable.

Note 16 – Government loan payable

In fiscal 2020, the Company was approved for and received \$40,000 lines of credit under the Canadian Emergency Business Account (“CEBA”) program funded by the Government of Canada for three of its subsidiaries, for a consolidated amount of \$120,000. The loans are non-interest bearing and due on December 31, 2022. Repayment of the loans before December 31, 2022 will result in loan forgiveness of 25% of the loan balance (\$30,000 in total). After January 1, 2023, the loans may be converted into a 3-year term loans at a fixed annual interest rate of 5%.

The CEBA loans were initially fair valued using a discount rate of 17% and was measured at \$57,254 with the difference of \$62,746 being recognized as a government grant on the consolidated statement of loss during the year ended December 31, 2020.

For the year ended December 30, 2020, accretion expense of \$6,958 was recognized.

The fair value of the CEBA loans are \$64,212 as at December 31, 2020.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 17 – Convertible debt

	Convertible debentures 2019	Convertible debentures 2020	Deferred acquisition costs	Convertible note	Hew Note	Total
Balance January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt issuance	150,000	-	-	-	-	150,000
Fair value difference on issuance	20,000	-	-	-	-	20,000
Deferred financing fee	(20,000)	-	-	-	-	(20,000)
Accretion expense	2,435	-	-	-	-	2,435
Fair value adjustment	4,185	-	-	-	-	4,185
Balance December 31, 2019	\$ 156,620	\$ -	\$ -	\$ -	\$ -	\$ 156,620
Current portion as at December 31, 2019	-	-	-	-	-	-
Long-term portion as at December 31, 2019	\$ 156,620	\$ -	\$ -	\$ -	\$ -	\$ 156,620
Balance January 1, 2020	156,620	-	-	-	-	156,620
Debt issuance	-	1,540,000	250,000	200,000	1,290,687	3,280,687
Fair value difference on issuance	-	205,333	-	-	-	205,333
Deferred financing fee	-	(205,333)	-	-	-	(205,333)
Accretion expense	10,013	51,088	-	-	-	61,101
Adjustment on transfer	-	-	-	-	143,410	143,410
Fair value adjustment	18,292	16,084	(13,889)	-	-	20,487
Balance December 31, 2020	\$ 184,925	\$ 1,607,172	\$ 236,111	\$ 200,000	\$ 1,434,097	\$ 3,662,305
Current portion as at December 31, 2020	184,925	1,607,172	236,111	200,000	1,434,097	3,662,305
Long-term portion as at December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Convertible debentures – day 1 difference

For the Company's convertible debentures issued in 2019 and 2020, the transaction price on initial recognition was determined not be the best evidence of fair value because the fair value of the host debt instrument together with the embedded derivative exceeded the transaction price. The fair value of the host debt together with the embedded derivative was determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and applying a discount for lack of marketability due to the 4 month hold required after conversion. The difference between the transaction price and fair value on initial recognition is amortized over the term of the instrument on an effective interest rate method and included in finance expense.

The unamortized fair value difference at December 31, 2020 and activity during the period is as follows:

	Convertible debentures 2019	Convertible debentures 2020	Total
Balance at January 1, 2019	\$ -	\$ -	\$ -
Fair value difference on issuance	20,000	-	20,000
Recognized in profit or loss	(2,435)	-	(2,435)
Balance at December 31, 2019	\$ 17,565	\$ -	\$ 17,565
Balance at January 1, 2020	\$ 17,565	\$ -	\$ 17,565.00
Fair value difference on issuance	-	205,333	205,333
Recognized in profit or loss	(10,013)	(51,088)	(61,101)
Balance at December 31, 2020	\$ 7,552	\$ 154,245	\$ 161,797

Convertible debentures 2019

During the year ended December 31, 2019, the Company issued \$50,000 and \$100,000 of unsecured convertible debentures, subordinated to senior debt, that mature on August 2021 and October 2021, respectively.

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Note 17 – Convertible debt (continued)

The debentures bear interest at 10% per annum with interest accrued due at the end of the term. Pursuant to the terms of the debentures, the Company will have the option to satisfy the principal and interest payments through the issuance of common shares.

The debentures are convertible into common shares at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a Qualified Financing or Liquidity Event. A Qualified Financing is the issuance of common shares in a transaction or series of related transactions resulting in aggregate gross proceeds to the Company of at least \$10,000,000, excluding conversion of the debentures and any other indebtedness. A Liquidity Event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the Board of Directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice. As the number of shares issued on conversion will vary depending on the deemed price of the common shares, this feature has been classified as an embedded derivative.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

At December 31, 2020, these convertible debentures had principal and accrued interest outstanding of \$169,832 (2019 – \$153,692), which resulted in a fair value of \$184,925 (2019 - \$156,620).

Convertible debentures 2020

For the year ended December 31, 2020, the Company issued unsecured convertible debentures of \$1,540,000. Of this amount, \$235,000 were receivable at December 31, 2020. Under the terms of the offering, the Company could issue up to a maximum of \$5,000,000 in debentures. Subsequent to year end, the Company issued an additional \$771,000 in convertible debentures, for a total gross issuance of \$2,311,000.

The Clinic Network Canada Inc.
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Note 17 – Convertible debt (continued)

Convertible debentures 2020 (continued)

The unsecured convertible debentures mature 24 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway Health Corporation (“Pathway”) shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the Reverse takeover (“RTO”) Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction. Pathway is a wholly owned subsidiary of Cura-Can. On January 18, 2021, Pathway entered into an asset and share purchase agreement with the Company, for purchase of all or substantially all of the operating assets of the Company (“Asset Acquisition Transaction”). This was done prior to an anticipated Qualifying Transaction, in which Pathway would complete an RTO of a capital pool company in order to be publicly listed on the TSX-V. See Note 31 for more detail.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

At December 31, 2020, these convertible debentures had principal and accrued interest outstanding of \$1,554,192, which resulted in a fair value of \$1,607,172.

Deferred acquisition costs

On August 31, 2020, the Company acquired the assets of NMI for the purchase price of \$400,000, including contingent consideration of \$50,000. Consideration transferred included cash of \$100,000 and an unsecured non-interest bearing 12-month convertible promissory note for up to \$300,000 of which \$50,000 is contingent on financial performance. The contingent payment of \$50,000 was recorded at its estimated fair value of \$nil. See Note 4 for more details.

The \$250,000 convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. The Company may repay the note with out notice or penalty. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discount from the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then the Company will either: (i) issue additional common shares to NMI) equal to the indebtedness less the value of the converted shares on the date immediate after the hold period (“hold value”); (ii) pay to NMI an amount equal to the hold value in cash.

With the conversion features of the convertible promissory note, there is an obligation to issue a variable number of shares, consequently the conversion feature is an embedded derivative and is classified as a liability as it fails the “fixed for fixed” criterion. The Company has classified the convertible promissory note as a financial liability at fair value through profit and loss under IFRS 9 Financial Instruments. On August 31, 2020 and December 31, 2020 the fair value of the convertible promissory note was \$236,111.

The Clinic Network Canada Inc.
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Note 17 – Convertible debt (continued)

Convertible note

On March 6, 2020, the Company acquired certain assets from NACM for an aggregate purchase price of \$1,200,000, including a convertible note of \$200,000 and a maximum earn-out bonus of \$1,000,000. See Note 8 for more details.

The \$200,000 convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company's option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no liquidity event occurs prior to maturity, the note shall be paid in cash. The conversion terms, allow NACM to convert the promissory note into a number of shares equal, on conversion, to the face value of the note at their deemed market value. This fails the "fixed for fixed" criterion because a variable number of shares will be issued to extinguish a fixed liability amount. The conversion feature would typically be classified as a derivative liability, but as the conversion price is set at the conversion date market share price or rather deemed market share price, the derivative liability has no value. As such, the fair value of the debt equals its transaction price of \$200,000.

Hew Note

Cura-Can, entered into a Secured Convertible Promissory Note ("Hew Note") dated November 5, 2019 for a principal amount of \$1,150,000 with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can's obligations under the Hew Note for principal payments of \$1,150,000 and \$140,687 in accrued interest in exchange for a reduction of TCNC's amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note is convertible into Class A Common Shares of the Company at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to a liquidity event, qualified financing or change of control.

As this was a transfer of debt between companies under common control, the Hew Note was transferred to the Company at its carrying value of \$1,434,097, with the variance between the carrying value and transaction price (\$1,290,687 consisting of principal and accrued interest of \$1,150,000 and \$140,687 respectively) being recorded as an adjustment to equity of \$143,410.

The Company has classified the Hew Note entirely as a liability because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price.

At December 31, 2020, the Hew Note had principal and accrued interest outstanding of \$1,290,687, which resulted in a fair value of \$1,434,097.

The Clinic Network Canada Inc.
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Note 18 – Income taxes

a) Income tax expense (recovery)

	December 31, 2020	December 31, 2019
Current tax expense (recovery)		
Current period	\$ -	\$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(2,569,244)	(1,593,416)
Change in unrecognized temporary differences	2,569,244	1,336,641
Total income tax (recovery) expense	<u>-</u>	<u>(256,775)</u>

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	December 31, 2020	December 31, 2019
Loss before income taxes	\$ (10,322,491)	\$ (6,915,219)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	<u>(2,735,460)</u>	<u>(1,832,533)</u>
Increase/(decrease) resulting from:		
Non-deductible amounts	167,032	110,246
Change in tax rates	(816)	114,778
Change in unrecognized deductible temporary differences	2,569,244	1,336,641
Prior period tax adjustments	-	14,093
Income tax (recovery) expense	<u>-</u>	<u>(256,775)</u>

b) Recognized deferred tax assets and liabilities

	December 31, 2020	December 31, 2019
Deferred tax assets attributable to the following:		
Loss carry-forwards	\$ 531,967	\$ 198,377
Lease liability	339,493	1,003,996
Other	96,089	995
Deferred tax assets	967,549	1,203,368
Set-off of tax	(967,549)	(1,203,368)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2020	December 31, 2019
Deferred tax liabilities attributable to the following:		
Property and equipment	\$ (828,170)	\$ (984,164)
Convertible debentures	(24,740)	(5,085)
Other	(95,925)	(7,466)
Intangible assets	(18,714)	(206,653)
Deferred tax liabilities	(967,549)	(1,203,368)
Set-off of tax	967,549	1,203,368
Net deferred tax liability	<u>\$ -</u>	<u>\$ -</u>

The Clinic Network Canada Inc.
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Note 18 – Income taxes (continued)

c) Movement in temporary differences in the year

Temporary differences	Balance December 31, 2018	Recognized in profit and (loss)	Acquired in business combination	Balance December 31, 2019
Loss carry-forwards	\$ 2,079	\$ 145,829	\$ 50,469	\$ 198,377
Lease liability	-	437,764	566,232	1,003,996
Other	-	995	(7,466)	(6,471)
Convertible debentures	-	(5,085)	-	(5,085)
Property and equipment	(27)	(405,862)	(578,275)	(984,164)
Intangible assets	(76,838)	83,133	(212,948)	(206,653)
Totals	<u>\$ (74,786)</u>	<u>\$ 256,774</u>	<u>\$ (181,988)</u>	<u>\$ -</u>

Temporary differences	Balance December 31, 2019	Recognized in profit and (loss)	Acquired in business combination	Balance December 31, 2020
Loss carry-forwards	\$ 198,377	\$ 371,706	\$ -	\$ 570,083
Lease liability	1,003,996	(664,503)	-	339,493
Other	(6,471)	6,635	-	164
Convertible debentures	(5,085)	(19,655)	-	(24,740)
Property and equipment	(984,164)	157,617	-	(826,547)
Intangible assets	(206,653)	148,200	-	(58,453)
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. The tax losses expire between 2037 and 2040.

As at December 31,	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ 3,529,487	\$ 1,216,835
Tax losses	13,822,265	8,727,046
Net deferred tax liability	<u>\$ 17,351,752</u>	<u>\$ 9,943,881</u>

Note 19 – Share capital

a) Common shares

Authorized – The Company has authorized an unlimited number of Class A shares, an unlimited number of Class B shares, an unlimited number of Class C Preferred shares issuable in series and an unlimited number of Class D shares, issuable in series. There are 3,224 Class A common shares issued and outstanding.

b) Stock options and share-based payments

There is a stock based-compensation arrangement in place for directors, officers, employees and consultants. In 2019, certain management members of the Company were granted stock options under its parent company's plan. There were no option grants in the year ended December 31, 2020.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 19 – Share capital (continued)

On March 27, 2019, Cura-Can, the parent company, granted certain employees of the Company 3,000,000 options. Each option allows the holder to acquire one common share in Cura-Can. or an eligible subsidiary for \$1.00 per share. The options vest over five years and expire on March 27, 2026.

The Company accounts for options granted under these plans in accordance with the fair value method. Fair values are determined using the Black-Scholes option pricing model. The application of this fair value-based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock, life of the options and forfeiture rate. For the options granted in March 2019, the risk-free rate used in 2019 was 1%, the average expected volatility was 76.21% based on historical trading activity of comparative companies currently trading on the TSX, the expected life of the options was 7 years, the forfeiture rate was assumed to be 0%, the underlying share price was assumed to be \$1.00 on the grant date, the exercise price was set at \$1.00 and the expected dividends were nil. The grant date fair value of the options granted in the year ended December 31, 2019 was \$0.62 per option.

A forfeiture rate of nil was used to estimate option expenses during the year. The Company recognized total share based compensation expense of \$535,568 for the year ended December 31, 2020 (2019- \$516,176). The options outstanding as of December 31, 2020 have a remaining life of 5.2 years.

A summary of the status of the Company's stock options outstanding and exercisable are as follows:

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of year	3,000,000	\$ 1.00	-	\$ -
Granted	-	-	3,000,000	1.00
Outstanding at end of period	3,000,000	\$ 1.00	3,000,000	\$ 1.00
Exercisable at end of period	300,000	\$ 1.00	-	-

Note 20 – Loss per share

The following table sets forth the computation of basic and diluted loss per share:

	December 31,	
	2020	2019
Net loss	\$ (10,242,452)	\$ (6,578,377)
Weighted average number of shares outstanding – basic and diluted	3,224	3,224
Basic and diluted loss per share	\$ (3,177)	\$ (2,040)

For the years presented, the diluted loss per share was the same as basic loss per share as the inclusion of convertible debentures and stock options would have been anti-dilutive. Accordingly, the diluted loss per share for the year was calculated using the basic weighted average number of common shares outstanding.

The Clinic Network Canada Inc.
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Note 21 – Revenue

The Company's revenue disaggregated by product type is as follows:

	December 31,			
	2020		2019	
Provincially insured physician services	\$ 4,596,681	50%	\$ 3,914,001	60%
Products and provincially non-insured physician services	2,682,253	29%	2,357,229	36%
Cannabis education	1,845,524	20%	294,208	4%
Total revenue	<u>\$ 9,124,458</u>	<u>100%</u>	<u>\$ 6,565,438</u>	<u>100%</u>

Note 22 – Selling, general and administrative expenses

	December 31,	
	2020	2019
Wages and benefits	\$ 3,824,717	\$ 4,356,551
Professional fees	915,207	1,134,580
Rent and utilities	727,831	738,038
Marketing	123,794	241,904
Office expenses	663,907	535,892
Depreciation on property and equipment	855,362	764,543
	<u>\$ 7,110,818</u>	<u>\$ 7,771,508</u>

Canadian Emergency Wage Subsidy ("CEWS")

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy program in April 2020. Under the plan, businesses are eligible for wage subsidies for any week retroactive from March 15, 2020 to December 19, 2020 if certain criteria are met. The program is divided into ten four week periods. To be eligible for the first period, businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reductions of greater than 30%. For the remaining periods, businesses will be subsidized with a sliding scale of subsidy based on overall revenue reductions in each period.

The Company has received \$450,761 in CEWS in the year ended December 31, 2020. The subsidy has been recorded as a reduction in salary and wage expense incurred by the Company during the year. The Company intends to apply for the CEWS in subsequent application periods, subject to continuing to meet the applicable qualification criteria.

Canada Emergency Commercial Rent Assistance ("CECRA") Program

On May 25, 2020, the Government of Canada announced the CECRA program which provides relief for eligible businesses experiencing financial hardship due to COVID-19. Under the CECRA program, the Landlord must abate 75% of gross rents due for April to June 2020 for CECRA-eligible tenants. In exchange of the abatements granted, the Landlord is eligible to forgivable interest free loans from the Government of Canada amounting to 50% of gross rents due for April to June 2020, resulting in net abatements of 25%.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 22 – Selling, general and administrative expenses (continued)

The Company's landlord applied for the subsidy and remitted back \$52,059 for April to June 2020 rent. The subsidy has been recorded as a reduction in rent expense incurred by the Company during this period.

Note 23 – Finance expense

	December 31,	
	2020	2019
Interest income on receivable	\$ -	\$ (3,092)
Interest expense and financing fees on credit facility with related party	1,135,187	215,528
Repayment fee on credit facility with related party	3,198,334	-
Interest on lease liability	343,646	349,501
Interest and financing fees	228,068	1,193
	4,905,235	563,130
Financial liabilities at FVPL		
Transaction costs	61,050	-
Accretion expense	61,101	2,435
Net change in fair value	34,376	4,185
Total finance expense	\$ 5,061,762	\$ 569,750

Note 24 – Financial instruments

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities, amounts due to/from related parties, loan payable, senior secured notes, government loan payable and credit facility approximates fair value due to the short-term nature.

The Company has convertible debts that have been classified entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate each of these instruments at FVTPL on initial recognition and, as such, the embedded conversion features are not separated and the embedded derivative and host debt are measured at fair value.

December 31, 2020	Financial assets at amortized cost	Assets/(liabilities) at FVTPL	Financial liabilities at amortized cost	Total
Cash	\$ 361,854	\$ -	\$ -	\$ 361,854
Accounts and other receivables	1,074,518	-	-	1,074,518
Due from related parties	67,096	-	-	67,096
Accounts payable and accrued liabilities	-	(729,000)	(1,282,801)	(2,011,801)
Due to related parties	-	-	(5,681,071)	(5,681,071)
Credit facility with related party	-	-	(10,559,047)	(10,559,047)
Senior secured notes	-	-	(664,973)	(664,973)
Government loan payable	-	-	(64,212)	(64,212)
Convertible debt	-	(3,662,305)	-	(3,662,305)
	\$ 1,503,468	\$ (4,391,305)	\$ (18,252,104)	\$ (21,139,941)

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 24 – Financial instruments

December 31, 2019	Financial assets at amortized cost	Assets/(liabilities) at FVTPL	Financial liabilities at amortized cost	Total
Cash	\$ 435,277	\$ -	\$ -	\$ 435,277
Accounts and other receivables	534,179	-	-	534,179
Due from related parties	70,000	-	-	70,000
Accounts payable and accrued liabilities	-	-	(1,047,850)	(1,047,850)
Due to related parties	-	-	(6,656,304)	(6,656,304)
Credit facility with related party	-	-	(5,337,528)	(5,337,528)
Loan payable	-	-	(3,706)	(3,706)
Convertible debt	-	(156,620)	-	(156,620)
	\$ 1,039,456	\$ (156,620)	\$ (13,045,388)	\$ (12,162,552)

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

a) Financial liabilities at FVTPL

The Company has convertible debt that have been classified entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate each of these instruments at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value.

The difference between the carrying amount and the Company's contractual obligation for repayment at maturity is summarized in the table below:

	December 31, 2020	December 31, 2019
Carrying amount		
Convertible debentures 2019	\$ 184,925	\$ 156,620
Convertible debentures 2020	1,607,172	-
Deferred acquisition costs	236,111	-
Hew Note	1,434,097	-
	3,462,305	156,620
Contractual repayment obligation at maturity		
Convertible debentures 2019	183,112	183,112
Convertible debentures 2020	2,780,261	-
Deferred acquisition costs	250,000	-
Hew Note	1,356,027	-
	4,569,401	183,112
Difference between carrying amount and contractual repayment obligation at maturity	\$ (1,107,096)	\$ (26,492)

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 24 – Financial instruments (continued)

b) Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and due from related parties. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables and due from related parties. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. For the year ended December 31, 2020, the Company recorded writes offs of \$165,680 in trade and other receivables (\$nil write offs in trade and other receivables for the year ended December 31, 2019).

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at December 31, 2020 of \$1,0745,518 (2019 - \$534,179). The Company's allowance for doubtful accounts as at December 31, 2020 is \$80,938 (2019 - \$90,578) based on specific invoices that were deemed likely to be uncollectable. As at December 31, 2020 the percentages of past due trade accounts receivable were as follows: 18.5% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. For the year ended December 31, 2020, there was one customer that comprised of 48.6% of consolidated sales (60% of revenue from one customer as at December 31, 2019). This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for December 31, 2020 and 2019 were \$nil.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting, including anticipated investing and financing activities. The Company will use internally generated cash flows, current cash balances, additional share issuances, and/or shareholder financing to cover its normal operating and capital expenditures for the next fiscal year.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 24 – Financial instruments (continued)

The Company's contractual liabilities and obligations are as follows:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	\$ 2,011,801	\$ -	\$ -	\$ 2,011,801
Due to related parties	5,681,071	-	-	5,681,071
Credit facility with related party	10,627,164	-	-	10,627,164
Lease liability	1,239,543	2,790,560	2,298,704	6,328,807
Convertible debt	4,769,401	-	-	4,769,401
Senior secured notes	883,575	-	-	883,575
Government loan	-	90,000	-	90,000
	<u>\$ 25,212,555</u>	<u>\$ 2,880,560</u>	<u>\$ 2,298,704</u>	<u>\$ 30,391,819</u>

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

On November 23, 2020, the Company entered into a five year lease agreement starting January 1, 2021 and ending December 31, 2025. The rent for the property \$66,000 per year. Due to ongoing construction by the landlord, the commencement of the lease was further delayed to March 2021.

d) Foreign currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Note 25 – Fair value measurement

As at December 31, 2020 and 2019, the Company did not have any financial assets or liabilities measured at fair value on a recurring basis within Levels 1 or 2. There were no transfers between levels of the fair value hierarchy in 2020 or 2019. The reconciliation of the carrying amounts of financial instruments classified within Level 3 are as follows:

	Convertible debentures 2019	Convertible debentures 2020	Deferred acquisition costs	Hew Note	Total
Cash proceeds	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Transaction costs included in principal	-	-	-	-	-
Unrealized fair value losses recognized in finance expense	6,620	-	-	-	6,620
Balance at December 31, 2019	<u>\$ 156,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,620</u>
Balance at January 1, 2020	\$ 156,620	\$ -	\$ -	\$ -	\$ 156,620
Cash proceeds	-	1,478,950	250,000	1,290,687	3,019,637
Transaction costs included in principal	-	61,050	-	-	61,050
Unrealized fair value losses recognized in finance expense	28,305	67,172	(13,889)	143,410	224,998
Balance at December 31, 2020	<u>\$ 184,925</u>	<u>\$ 1,607,172</u>	<u>\$ 236,111</u>	<u>\$ 1,434,097</u>	<u>\$ 3,462,305</u>

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 25 – Fair value measurement (continued)

a) Valuation techniques and assumptions

The Company performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. Valuation techniques and significant assumptions related to the Company's liabilities measured at fair value on a recurring basis are disclosed below.

The conversion terms of the Company's convertible debentures, deferred acquisition costs and Hew Note are disclosed in Note 17.

Convertible debentures

The fair value of the convertible debentures is determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a discount for lack of marketability due to the 4 month hold required after conversion. The fair value of the convertible debentures at December 31, 2020 reflects the contractual conversion price as a percentage of the market price of 75% and estimated discount for lack of marketability of 15%.

Deferred acquisition costs

The fair value of the deferred acquisition cost is determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a discount for lack of marketability due to the 4 month hold required after conversion. The fair value of the deferred acquisition cost at December 31, 2020 reflects the contractual conversion price as a percentage of the market price of 90% and estimated discount for lack of marketability of 15%.

Hew Note

The fair value of the Hew Note is determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price. The fair value of the convertible debentures at December 31, 2020 reflects the contractual conversion price as a percentage of the market price of 90%.

Note 26 – Non-cash investing and financing activities

The Company had non-cash investing activities during the year ended December 31, 2020 and 2019 as follows:

	For the year ended December 31,	
	2020	2019
Non-cash investing activities		
Purchase of property and equipment - right -of-use assets (transition to IFRS 16)	\$ -	\$ 593,409
Purchase of property and equipment - right -of-use assets (additions)	80,819	2,136,724
Acquisition cost of NACC included in accounts payables and accrued liabilities	170,000	-
Acquisition cost of NMI included in convertible debt	236,111	-
Acquisition cost of intangible asset included in convertible debt	200,000	-
Acquisition cost of NHS included in due to related party	35,186	-
NCI proportionate investment in 10030712 Manitoba Ltd	46,333	-

The Clinic Network Canada Inc.
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Note 27 – Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks. In the management of capital, the Company includes the components of shareholders' deficit and short-term and long-term liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, subject to availability different sources of funds, the Company may attempt to: issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to any externally imposed capital requirements. The Company does not payout dividends. There were no changes to management's capital management objectives, practices or policies in the year.

A summary of the Company's capital structure is as follows:

	December 31,	
	2020	2019
Long-term debt	\$ 4,391,490	\$ 160,326
Shareholder's deficiency	(18,459,386)	(8,454,621)
	<u>\$ (14,067,896)</u>	<u>\$ (8,294,295)</u>

Note 28 – Commitments and contingent liabilities

Legal claim contingencies

The Company, amongst others, are defendants in an action in the Ontario Superior Court of Justice. A former employee of the Company is claiming wrongful dismissal and is seeking damages of \$400,000, transfer of 200,000 shares in Cura-Can and an unquantified amount of reimbursement of legal fees. To date, discovery and the exchange of relevant non-privileged documents have not yet taken place. The Company has accrued \$45,000 for this potential claim.

On January 11, 2021, the Company was served with an action in the Ontario Superior Court of Justice by a former employee. The employee is claiming wrongful dismissed in fiscal 2020 and is seeking damages in the amount of \$426,500 and an unquantified amount of special damages. The Company plans to defend itself. The Company has accrued \$99,000 for any potential claims in fiscal 2020.

The Company received letters dated January 11, 2021 addressed to the Company and Natural Health Services Ltd. ("NHS"), a wholly owned subsidiary of Cura-Can. A Landlord for two units under lease by NHS has made a demand for payment of arrears of rent related to fiscal 2020 and 2021 in the amount of \$251,499. The Company had previously signed a Guarantee and Indemnity Agreement to unconditionally guarantee any and all obligations of the tenant (NHS) under the lease agreement. Management is preparing a defence. The Company has accrued \$415,000 for any potential claims under this guarantee.

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020 and 2019

Note 29 – Non-controlling interest

In December of 2018, the Company acquired 51 common shares of 10030712 Manitoba Ltd. (“Manitoba”) upon incorporation for \$0.10 per share for a total of \$5. The jointly established new operating company is a result of an agreement with Chief Peguis Investment Corp. (“Peguis”) and will provide interdisciplinary healthcare at a clinic in Manitoba, Canada. The Agreement is still being finalized. Manitoba is 51% owned by the Company, which did not arise as a result of a business combination, and 49% owned by Peguis, who acquired 49 common shares in December 2018 for \$5.

During the year ended December 31, 2020, the Company and Peguis had non-cash contributions \$48,265 and \$46,332 and (2019 - the Company and Peguis contributed \$94,674 and \$90,956, respectively) to Manitoba. The Company’s contributions to Manitoba are eliminated on consolidation.

Non-controlling interest has been recorded for Peguis’ share of Manitoba’s net loss for the year and proportionate investment in Manitoba through capital contributions.

Before intragroup eliminations, Manitoba’s assets and liabilities at December 31, 2020 were \$271,890 and \$14,877 respectively (\$325,786 and \$26 respectively as at December 31, 2019) and its net loss for year ended December 31, 2020 was \$163,345 (2019 - \$163,403). Manitoba’s cash flows for the year ended December 31, 2020 and 2019 were not material.

Note 30 – Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company’s chief operating decision maker, the Chief Executive Officer. The Company has a single reporting segment which is physician services, cannabis education, and product sales and maintenance relating to pain care management.

Information about geographic areas

The Company’s non-current assets are located in Canada and all of the Company’s revenues from external customers are generated in Canada.

Note 31 – Post reporting date events

TCNC Asset Acquisition Transaction and Qualifying Transaction

On January 18, 2021, Pathway entered into an asset and share purchase agreement (“Asset and Share Purchase Agreement”) with the Company, for purchase of all or substantially all of the operating assets of the Company (“Asset Acquisition Transaction”). The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement was consisted of \$4.9 million in a non-interest bearing demand promissory note and 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities totalling \$5.0 million.

On January 29, 2021, Pathway entered into a definitive share exchange agreement with Colson Capital Corp. (TSXV:COLSP) (“Colson”), a capital pool company whose shares are listed on the NEX board of the TSX Venture Exchange. Colson will purchase all of the issued and outstanding shares of Pathway in 1:1 exchange for the issuance of post-consolidation Colson Shares. Subject to certain conditions being met this would result in the reverse take-over of Colson by Pathway (the “RTO Transaction”) to form the resulting issuer (“Resulting Issuer”). Upon completion of the RTO Transaction, it is anticipated that holders of Colson shares will own 2,856,171 post-closing consolidated shares of the Resulting Issuer. It is the intention of the parties that the Resulting Issuer will continue the business of Pathway, subject to certain terms and conditions. The RTO Transaction together with the Asset Acquisition Transaction is expected to constitute a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 31 – Post reporting date events (continued)

On March 16, 2021, Pathway completed a private placement in connection with the RTO Transaction. The private placement was completed through a syndicate of agents, led by Canaccord Genuity Corp., and included iA Private Wealth Inc. and Leede Jones Gable Inc. (collectively, the "Agents"). Pursuant to the private placement, Pathway issued 27,600,000 subscription receipts (the "Subscription Receipts") at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$13,800,000. The gross proceeds from the Private Placement, less a portion of the fees and expenses of the Agents (the "Escrowed Funds") have been delivered to the transfer agent. The Escrowed Funds shall be held by the transfer agent until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction (other than the release of the Escrowed Funds), the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions for a transaction of this nature.

TCNC Asset Acquisition Transaction and Qualifying Transaction (continued)

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for units ("Units") of Pathway, each Unit will be comprised of one Class A share of Pathway (each a "Pathway Share") and one-half of a Pathway Share purchase warrant (each whole Pathway Share purchase warrant, a "Pathway Warrant"). Each Pathway Share and each Pathway Warrant will, in accordance with the Share Exchange Agreement, subsequently be exchanged for one common share of the Resulting Issuer ("Resulting Issuer Shares") and one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). In addition, the Agent's Warrants will also be exchanged for equivalent instruments of the Resulting Issuer exercisable for Resulting Issuer Shares.

Declaration of capital dividend

On March 15, 2021, the Company declared a capital dividend in an aggregate amount equal to \$5,000,000 on the 3,224 issued and outstanding common shares of the Company held by Cura-Can, the sole shareholder. The dividend will become payable and paid on March 31, 2021 by way of a secured non-interest bearing demand promissory note for \$5,000,000. The note is covered by a general security agreement granting security in favour of Cura-Can over the property and assets of the Company.

Bridge Notes

On March 23 and 24th, Pathway entered into agreements for the issuance of \$825,000 (\$750,000 net of loan fees) in bridge loan notes ("Bridge Notes"), including \$357,500 with related parties.

The Bridge Notes bear coupon interest at a rate of 10% per annum and matures the earlier of September 22, 2021 and the occurrence of any events which constitute an event of default. The occurrence of an event of default includes but are not limited to, failure to pay the obligation on maturity, defaults in the performance of any material covenant, falsification of any representation or warranty under the Note, insolvency, cessation or threat of cessation of business and impairment of ability to pay the obligation. The Bridge Notes are subject to a minimum of 3 months accrued interest and fees if prepaid prior to the Maturity Date.

Schedule “B”
MANAGEMENT'S DISCUSSION AND ANALYSIS OF TCNC FOR THE YEAR ENDED DECEMBER 31,
2020,

**Management's Discussion & Analysis of
The Clinic Network Canada Inc.
For the three and twelve months ended December 31, 2020**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of The Clinic Network Canada Inc. and its wholly owned subsidiaries (the "Company", "TCNC", "we" or "our") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and twelve months ended December 31, 2020. This MD&A is dated May 31, 2021 and should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended December 31, 2020.

The annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars unless otherwise noted. For more detailed information regarding certain forward-looking statements contained herein, please see the note regarding "Forward-looking Statements".

The Company has incurred significant losses to date. The net loss totaled \$10.3 million for the year ended December 31, 2020 (2019 - \$6.7 million) and as at December 31, 2020 the Company had a shareholder's deficiency of \$18.5 million (shareholder's deficiency as at December 31, 2019 - \$8.5 million). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses.

In addition, the Company's current liabilities exceed its current assets by \$21.4 million (at December 31, 2019 - \$12.2 million). These balances and the changes year over year indicate that there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

The Company has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources including the Qualifying Transaction and private placement described in the subsequent events section; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

Forward-looking statements

This MD&A contains forward-looking information. This forward-looking information is not based on historical facts but rather on our expectations regarding the future growth of the Company and its respective results of operations, performance and business prospects and opportunities. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. This MD&A uses words such as "believe", "expect", "would", "will", "expects", "anticipates", "intends", "estimates", or similar expressions to identify forward-looking information. Such forward-looking information reflects our current beliefs based on information currently available to us. Please see "Risk Factors" section for further discussions.

This MD&A contains forward-looking information. The words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions typically are used to identify forward-looking statements. The use of forward-looking statements reflects our current views, expectations, estimates and/or projections with respect to our performance, business and future events, and in this MD&A includes statements relating to, among others: expectations regarding our business; expectations relating to our business goals, objectives and schedules; expectations regarding the cannabinoid based therapy industry, including Canada's position therein; expectations regarding the acceptance of cannabinoid based therapies in the medical community; expectations regarding our clinical development plans; and expectations regarding development of new intellectual property from cannabinoid product combinations. Forward-looking statements are based on the then-current expectations, forecasts and assumptions about the business and the industry and markets in which we operate, including, among others: that there will be no unforeseen delays, disruptions, market forces, regulations or laws that will prevent us from operating our business; and that we will be able to obtain the capital

we require. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict, including, without limitation: that we may experience unforeseen delays, financing difficulties or costs that will impact our projects, operations, financial performance or liquidity; that we will not be able to advance our business plan or continue operations; that we will not be able to obtain insurance for our operations; that we will not be able to protect our intellectual property; that we will not be able to develop and commercialize, or obtain regulatory approvals to commercialize, products derived from our intellectual property; that we will not be able to recruit physicians for our clinics; that regulatory approvals of products developed from our intellectual property may result in significant delays; that development of cannabinoid based therapies may expose us to liability claims in excess of our insurance coverage; and those risks relating to the occurrence of natural disasters, pandemics, hostilities, acts of war or terrorism, our reputation, our key personnel, competition, employee relations, changes in the cannabinoid based therapy market generally, potential downturns in economic conditions, foreign exchange fluctuations, fluctuations in the currency markets, inflationary pressures, changes in interest rates, changes in regulatory requirements which may alter or prohibit investment in our business, or changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada or any other country in which we operate or intend to operate, risks associated with the impact of the novel coronavirus ("COVID-19") as a global pandemic on the economy, workforces, financial markets and supply chain. These risks, as well as others, could cause actual results and events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A and we do not undertake any obligations to update such forward-looking statements, except as required by applicable securities law.

Market and industry data contained in this MD&A is based upon information, surveys or studies conducted by independent third parties and independent industry or general publications and our knowledge of, and experience in, the markets in which we operate or intend to operate. The Company has no reason to believe that such information is false or misleading in any material respect, however market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. This information has not been independently verified by us or any of our respective directors, officers or representatives and no representation is given as to the accuracy of any of the data from third party sources referred to in this MD&A. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking information in this MD&A, and, accordingly, investors should not place undue reliance on any such forward-looking information.

Description of business

The Clinic Network Canada Inc. is a private company, incorporated under the Canada Business Corporations Act on March 3, 2017. The Company's primary business is the owning and operating of medical clinics specializing in chronic pain. The Company is a wholly owned subsidiary of Cura-Can Health Corp ("Cura-Can").

These consolidated financial statements of the Company include financial statements of the Company and its wholly owned subsidiaries, 9937340 Canada Inc. (dba Involved Medicine), 2563367 Ontario Ltd. (dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc. (dba Slawner Ortho Ltee), 1964433 Alberta Ltd. and 9398252 Canada Inc. (dba Lift Resource Centre) and its 51% owned subsidiary 10030712 Manitoba Ltd.

The Company's registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

Selected Significant Historic Events

Management Agreement with Natural Health Services

As of January 1, 2020, the Company entered into a Management Agreement with Natural Health Services (“NHS”), a subsidiary of Cura-Can, to provide administrative, accounting, financial, project management and evaluation of projects services. This agreement was terminated November 23, 2020.

On November 24, 2020, TCNC purchased specific assets of Natural Health Services Ltd. (“NHS”), in exchange for a non-interest-bearing demand promissory note for an amount equal to \$0.2 million. The combining entities are ultimately continued by the same parties prior to and subsequent to the business combination, which is considered a transaction under common control. The Company has elected to apply predecessor accounting to the transaction and as such, all assets and liabilities acquired are transferred at the carrying values from the predecessor company and no fair value adjustment was recorded. No goodwill is recorded for the difference between the net assets acquired and consideration paid, resulting in an adjustment to equity.

The assets acquired included \$0.1 million of software, a nominal amount for a physician list and computer equipment and \$0.05 million in right-of-use asset and related \$0.05 million in lease liability.

COVID -19

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Although the duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, the Company was forced to take steps to ensure the safety of patients, staff, and their families, as well as mitigate the financial impact from this pandemic. The Company, its subsidiaries, and its affiliate company (NHS) are moving to serve its patients through telemedicine where it is appropriate. In addition, the Company, its subsidiaries and affiliate company were forced to close corporate offices and certain of its clinics, and temporary layoff some of its employees and contractors (some of which were subsequently terminated), reduce hours of staff and receive government assistance in the form of Canadian Emergency Wage Subsidies (“CEWS”) and loans from the Canadian Emergency Business Account program (“CEBA”).

National Access Cannabis Medical

On March 6, 2020, the Company acquired certain assets from National Access Cannabis Medical (“NACM”) for the aggregate purchase price of \$1.2 million, including a convertible note of \$0.2 million and a maximum earn-out bonus of \$1.0 million. The Company completed the acquisition for the purpose of obtaining the standard operating protocols related to the Medical Cannabis Management System (“MCMS”). MCMS was designed to be implemented in retail pharmacies, with the overarching goals of providing access points for medical cannabis care and enabling pharmacists to offer medical cannabis assessments to appropriate pharmacy patients.

The convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company’s option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no such event occurs prior to maturity, the note shall be paid in cash. The earn-out bonus of up to \$1.0 million is determined based on performance in each of the three years after closing and payable in common shares.

The contingent payment of \$1.0 million was recorded at its estimated fair value of \$nil. This was determined considering the probability that NACM would earn revenues above the levels that triggers additional payment.

The asset acquired in this transaction did not qualify as a business according to the definition of IFRS 3, *Business Combinations*. Accordingly, it was treated as an acquisition of an asset (MCMS - standard operating

procedures) which is a key component necessary to expand the Company's initiatives with pharmacies. The intangible asset was valued at the consideration paid of \$0.2 million.

National Access Canada Corporation ("NACC") and Meta Growth Corp

On June 26, 2020, the Company acquired additional assets and operations from NACC and its sole shareholder, Meta Growth Corp. ("Meta"), for the aggregate purchase price of \$0.8 million, including cash of \$0.5 million and a maximum earn-out bonus of \$0.3 million.

The earn-out bonus of up to \$0.3 million is determined based on performance in the first 12 months after closing and payable in common shares, if the Company's shares are listed on a public exchange within 12 months of closing, or cash. The acquisition was considered a business under the definition of IFRS 3, *Business Combinations*. On acquisition, the probability fair value of the contingent consideration was estimated to be \$0.2 million, based on the Company's estimate of the performance targets being achieved. The fair value of the consideration transferred \$0.7 million (\$0.5 million in cash and \$0.2 million contingent consideration), was allocated to the fair value of identifiable assets: \$0.3 million for the customer list and \$0.1 million for the brand value. The remaining \$0.3 million was allocated to goodwill.

At December 31, 2020, on review of the results, management adjusted the fair value of the contingent consideration to \$0.17 million based on the Company's estimate of the performance targets being achieved. At December 31, 2020, the Company estimated a 57% probability of the earn-out bonus being achieved. The change in the estimate of fair value, \$0.04 million was recognized in profit and loss as a gain on remeasurement of contingent consideration.

Nature Medic Inc

On April 28, 2020, the Company entered into a memorandum of understanding ("MOU") with Nature Medic Inc. ("NMI") in which the Company and NMI entered into an interim service agreement leading to the potential purchase of the assets of NMI.

On August 31, 2020, the Company acquired the assets of NMI for the purchase price of \$0.4 million, including contingent consideration of \$0.05 million. Consideration transferred included cash of \$0.1 million and an unsecured non-interest bearing 12-month convertible promissory note.

The acquisition was considered a business under the definition of IFRS 3, *Business Combinations*. The fair value of the consideration transferred \$0.3 million (\$0.1 million in cash and \$0.2 million deferred acquisition cost) was allocated to the fair value of identifiable assets consisting of \$0.1 million for the brand value, \$0.1 million of right-of-use asset, offset by the related \$0.1 million lease liability. The remaining \$0.2 million was allocated to goodwill.

Slawner Ortho

On March 11, 2019, the Company incorporated a new entity (9393 1681 Quebec Inc - "Slawner Ortho") and purchased certain assets and assumed certain liabilities of insolvent J. Slawner Ortho from the court appointed receiver. Slawner Ortho specializes in custom orthotics, prosthetics and home health care products. The acquisition was completed to add comprehensive pain management products to the Company's current complement of services. Consideration for the purchase consisted of a deposit of \$0.025 million paid on March 5, 2019 and payment of \$0.3 million on March 18, 2019.

As J. Slawner Ortho was being sold due to bankruptcy, the Company was able to purchase certain assets and assume certain liabilities of J. Slawner Ortho for less than fair value resulting in a gain on purchase of \$0.3 million. The total acquisition costs related to this transaction were \$0.1 million and are included in professional and consulting fees within selling, general and administrative expenses.

In May 2019, Slawner Ortho purchased accounts receivable from the receiver at the bargain price of \$0.05 million. The fair value of the purchased accounts receivable was \$0.06 million, resulting in a gain on purchase of \$0.01 million. The gross contractual amount of the purchased receivables was \$0.1 million the Company's estimate of the contractual cash flows not expected to be collected at the acquisition date was \$0.08 million.

2563367 Ontario Ltd o/a Silver Medical Group Centre for Pain Care

Effective January 1, 2019, the Company acquired all the issued and outstanding shares of Silver Medical Group Centre for Pain Care ("Silver"). Silver operates an out of hospital chronic pain clinic. The acquisition was completed to add comprehensive pain management competencies to the Company's current complement of services. Consideration for the acquisition of Silver was a cash payment of \$3.0 million.

Financing Transactions

Credit facility with related party

In March of 2019, the Company entered into a debt facility agreement with its parent company, Cura-Can. The facility is unsecured and carries a coupon of 10%, compounded monthly. The credit facility is being used to fund the Company's operations. The credit facility matured March 1, 2021 and may be repaid at any time at the option of the Company. If not repaid prior to February 28, 2020, a repayment fee is added to the principal balance outstanding. The repayment fee is equal to one half of the outstanding principal and accrued interest at February 28, 2020, plus interest that would have accrued if the repayment fee had been applied at the start of the loan. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

The Company did not repay this credit facility prior to February 28, 2020. As such, a repayment fee of \$3.2 million was added to the principal balance of the credit facility as at February 29, 2020. The repayment fee was recognized in profit or loss in 2020. Funds drawn after February 28, 2020 are also subject to a repayment fee of one half of the principal amount drawn and interest as if the amount had been drawn at the start of the loan. In June 2020, the Company took out an additional \$0.5 million under the credit facility, which resulted in a repayment fee of \$0.3 million. The repayment fee was treated as a deferred financing cost, capitalized as a contra-account to the credit facility and will be amortized over the remaining term of the debt.

Senior secured notes

In 2020, the Company entered into agreements for the issuance of \$0.66 million (\$0.60 million net of loan fees) in senior secured notes (the "Series I Notes"), including \$0.44 million with related parties. In October 2020, the Company amended the agreement and issued an additional \$0.30 million (\$0.28 million net of loan fees) in senior secured notes (the "Series II Notes"), including \$0.24 million with related parties.

The Notes bear coupon interest at a rate of 20% per annum, payable in arrears on maturity and monthly thereafter. In addition, a loan structuring fee of 10%, an exit fee equal to 5% of the principal and interest outstanding is payable at the earlier of the maturity date or date of repayment.

The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand. The Notes may be repaid within 90 days of issuance subject to either: (a) the consent of two-thirds of the note holders, or (b) payment of the principal outstanding plus the equivalent of three months interest and the exit fee. After this time, the Notes may be repaid at the option of the Company. The Series II Notes must be repaid and fully satisfied prior to any prepayment or repayment of the Series I Notes.

The Notes are secured by a general security agreement and rank senior to the Company's guarantee of its parent company debt.

On December 31, 2020, the Company repaid \$0.26 million in principal and \$0.02 million in interest and exit fees to certain holders of the Series II Notes.

Guarantees

In fiscal 2020, the Company's parent (Cura-Can) amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As a result, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. The facility matures March 1, 2021. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

Qualifying Transaction

In September 2020, the Company engaged a large independent Canadian investment bank to act as agent for a private placement offering through a newly incorporated federal company Pathway Health Corp. ("Pathway"). The private placement of subscription receipts raised gross proceeds of \$13.8 million (the "Offering"). Immediately prior to closing of the Offering, Pathway acquired all or substantially all of the assets of the Company pursuant to an Asset Acquisition Transaction. See "Subsequent events" section for more detail.

Selected consolidated financial information

The following table sets forth selected consolidated data for the years ended December 31, 2020, 2019 and 2018 as follows:

	2020		2019		2018
Statement of operations data					
Revenue	\$	9,124,458	\$	6,565,438	\$ 550,934
Loss before other items and income taxes		(2,245,255)		(5,388,061)	(1,174,195)
Net loss and comprehensive loss		(10,322,491)		(6,658,444)	(1,890,951)
Basic and diluted net (loss)/earnings per common share	\$	(3,177)	\$	(2,040)	\$ (587)
Statement of financial position:					
Total assets	\$	7,698,169	\$	8,536,051	\$ 1,477,328
Long-term liabilities		2,733,403		3,395,256	74,787

The fluctuations in reported results during these periods are primarily from the following factors:

- The increase in the revenues over the three years are a reflection of the business acquisitions that occurred and the growth of existing programs and services.
- The increased loss before other items and income taxes over the past three years reflects expenses incurred related to the growth of the business, mainly increased wages and benefits and professional and consulting fees as the Company expands their business and increase head count to support operations.
- The net loss and comprehensive loss for the year ended December 31, 2020 includes a \$3.2 million finance expense related to a credit facility repayment fee and a \$2.0 million goodwill impairment. The net loss and comprehensive loss for the year ended December 31, 2019 includes \$0.4 million goodwill impairment and \$0.3 million impairment on intangible assets. Adjusting for these expenses in both years, the net loss and comprehensive loss would have shown improvement over the year ended December 31, 2019.

Review of operating results – the year ended December 31,

Revenue and gross margin

	For the year ended December 31,				
	2020	2019	Change \$	Change %	
Revenue					
Provincially insured physician services	\$ 4,596,681	\$ 3,914,001	\$ 682,680	17%	
Products and provincially non-insured physician services	2,682,253	2,357,229	325,024	14%	
Cannabis education	1,845,524	294,208	1,551,316	527%	
Total revenue	<u>\$ 9,124,458</u>	<u>\$ 6,565,438</u>	<u>\$ 2,559,020</u>	<u>39%</u>	
Cost of sales					
Consultants	\$ 3,248,927	\$ 2,906,221	\$ 342,706	12%	
Cost of goods sold	614,690	916,603	(301,913)	(33%)	
Clinic and medical supplies	395,278	359,167	36,111	10%	
Total cost of sales	<u>\$ 4,258,895</u>	<u>\$ 4,181,991</u>	<u>\$ 76,904</u>	<u>2%</u>	
Gross margin	\$ 4,865,563	\$ 2,383,447	\$ 2,482,116	104%	

Revenues increased from \$6.6 million for the year ended December 31, 2019 to \$9.1 million for the same 2020 period. The increase in revenues are due to a full year of revenues related to Slawner Ortho (acquired in March 2019) in the 2020 period versus only approximately seven months in the 2019 period and a partial period for NHS (acquired in November 2020). The current period is also impacted by the acquisitions of NACC clinics in June 2020 and NMI in August 2020.

In response to the COVID-19 pandemic, the Company was forced to temporarily close its offices and certain clinics. The Company placed additional focus on telemedicine services in order to service its current and new patients. Certain clinics were considered essential during this period and were able to stay open, attracting more patients during this period.

Provincially insured physician services refer to revenue generated for providing publicly accessible healthcare services that are reimbursed by the provincial health authorities. Products and provincially non-insured physicians services refer to services that are not eligible for government reimbursement and as such are charged directly to patients and/or third parties and mainly consist of custom orthotics, prosthetics and home health care products related revenues.

Gross margin has increased by \$2.5 million for the year ended December 31, 2020 versus the prior year. The improvement in gross margin is mainly due to the increases in higher cannabis education revenues which have minimal related cost of sales. The prior year cost of goods sold includes inventory acquired as part of the Slawner Ortho acquisition. The inventory acquired was recorded at its fair value on the date of acquisition, resulting in a lower gross margin in the 2019 period when the inventory was sold.

Selling, general and administrative expenses

	For the year ended December 31,			
	2020	2019	Change \$	Change %
Wages and benefits	\$ 3,824,717	\$ 4,356,551	\$ (531,834)	(12%)
Professional and consulting fees	915,207	1,134,580	(219,373)	(19%)
Rent and utilities	727,831	738,038	(10,207)	(1%)
Marketing	123,794	241,904	(118,110)	(49%)
Office expenses	663,907	535,892	128,015	24%
Depreciation on property and equipment	855,362	764,543	90,819	12%
	<u>\$ 7,110,818</u>	<u>\$ 7,771,508</u>	<u>\$ (660,690)</u>	<u>(9%)</u>

Selling, general and administrative (“SG&A”) expenses decreased to \$7.1 million for the year ended December 31, 2020 compared to \$7.8 million for fiscal 2019. In response to the impact of COVID-19 on the business, the Company was forced to close corporate offices and certain of its clinics and temporarily lay off employees and contractors (some of which were terminated) as well as reduced hours or staff, leading to an overall decrease in SG&A. Furthermore, the current period reflects \$0.1 million credit in rent expense related to forgiven rental payments as part CECRA and \$0.5 million credit in wages due to amounts received under the CEWS program.

Other items

	For the year ended December 31,			
Other expense/(income)	2020	2019	Change \$	Change %
Amortization of intangible assets	\$ 96,366	\$ 32,603	\$ 63,763	196%
Fair value of guarantee	415,000	-	415,000	n/a
Finance expense	5,061,762	569,750	4,492,012	788%
Gain on acquisition of Slawner Ortho	-	(295,100)	295,100	(100%)
Gain on remeasurement of contingent consideration	(40,000)	-	(40,000)	n/a
Gain on remeasurement of lease liability	(17,518)	-	(17,518)	n/a
Government grant	(62,746)	-	(62,746)	n/a
Impairment of goodwill	2,000,699	419,722	1,580,977	377%
Impairment of intangible assets	1,500	284,007	(282,507)	(99%)
Impairment of property and equipment	72,655	-	72,655	n/a
Loss on disposal of property and equipment	13,950	-	13,950	n/a
Share-based compensation	535,568	516,176	19,392	4%
	<u>\$ 8,077,236</u>	<u>\$ 1,527,158</u>	<u>\$ 6,550,078</u>	<u>429%</u>

The fair value of guarantee of \$0.4 million in the year ended December 31, 2020 relates to the Company’s exposure of future losses under an agreement to unconditionally guarantee any and all obligations of related party under common control with respect to a lease agreement. See “Legal claims contingencies” section for more detail.

In March of 2019, the Company entered into a debt facility agreement with its parent company, Cura-Can. The facility is unsecured and carries a coupon of 10%, compounded monthly. The credit facility is being used to fund the operations. The credit facility matures March 1, 2021. The facility may be repaid at any time at the option of the Company. If not repaid prior to February 28, 2020, a repayment fee is added to the principal balance outstanding. The repayment fee is equal to one half of the outstanding principal and accrued interest at February 28, 2020, plus the interest that would have accrued if the repayment fee had been applied at the commencement of the loan. The credit facility was not repaid prior to February 28, 2020. As a result, a repayment fee equal to \$3.2 million was added to the principal balance of the credit facility as at February 29,

2020. The repayment fee was recognized in finance expense. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

In addition to the above mentioned repayment fee, the overall increase in finance expense for the year ended December 31, 2020 over the same prior year period is also a result of the the additional interest and accretion expenses due to the overall higher debt balance in 2020.

In fiscal 2020, the Company was approved and received a \$0.04 million line of credit under the Canadian Emergency Business Account ("CEBA") program funded by the Government of Canada for three of its subsidiaries for a consolidated amount of \$0.12 million. The loan is non-interest bearing, due on December 31, 2022. Repayment of the loan before December 31, 2022 will result on a loan forgiveness of 25% (\$0.03 million in total). After January 1, 2023, the loan may be converted into a 3-year term loan at a fixed annual interest rate of 5%.

The CEBA loan was initially fair valued using a discount rate of 17% and was measured at \$0.06 million with the difference of \$0.6 million being recognized as a government grant on the consolidated statement of loss during the year ended December 31, 2020.

At December 31, 2020, the Company performed its annual goodwill impairment test. Upon completion of the review of the carrying value of the intangible assets for the year ending December 31, 2020, it was determined the impact of the COVID-19 global pandemic resulted in underperforming operating results for Silver. Based on the results of the test and a reassessment of future operating results, the Company concluded that the recoverable amount of the Silver cash generating unit was less than its carrying amount which indicated goodwill was impaired by \$2.0 million.

Impairment of property and equipment in fiscal 2020 mainly relates to the adjustment of a right of use asset for a facility related to the Involved Medicine operations which is no longer in use. The right of use asset was adjusted to its net realizable value on the assumption that management would be able to sublease the location.

Select quarterly information

The following table highlights selected interim condensed consolidated financial data for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the consolidated financial statements for the year ended December 31, 2020. The selected financial information presented below reflects all adjustments, consisting primarily of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These results are not necessarily indicative of results for any future period and you should not rely on these results to predict future performance.

	Three months ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Statement of loss data				
Revenue	\$ 2,973,395	\$ 2,575,375	\$ 1,789,713	\$ 1,785,975
Gross margin	1,755,897	1,415,121	798,786	895,759
Loss before other items and income taxes	(759,878)	(326,297)	(287,830)	(871,250)
Net loss and comprehensive loss	(3,655,029)	(1,007,750)	(868,862)	(4,790,850)
Net loss attributable to:				
Shareholder	(3,623,586)	(992,367)	(851,940)	(4,774,559)
Non-controlling interest	(31,443)	(15,383)	(16,922)	(16,291)
Basic and diluted loss per share attributable to shareholders	\$ (1,124)	\$ (308)	\$ (264)	\$ (1,481)

	Three months ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Statement of loss data				
Revenue	\$ 1,629,184	\$ 1,659,228	\$ 1,864,588	\$ 1,412,438
Gross margin	659,431	740,148	767,849	216,019
Loss before other items and income taxes	(1,494,394)	(1,200,122)	(1,322,149)	(1,371,396)
Net loss and comprehensive loss	(2,325,402)	(1,544,222)	(1,624,658)	(1,164,162)
Net loss attributable to:				
Shareholder	(2,309,152)	(1,521,068)	(1,602,020)	(1,146,137)
Non-controlling interest	(16,250)	(23,154)	(22,638)	(18,025)
Basic and diluted loss per share attributable to shareholders	\$ (716)	\$ (472)	\$ (497)	\$ (356)

The fluctuations in reported results during these periods resulted primarily from the following factors:

- The large increase in revenues and gross margins throughout the 2019 and 2020 years was mainly due to the acquisitions of Silver in January 2019, Slawner Ortho in March 2019, NACC clinic business in June 2020, NMI in August 2020 and NHS in November 2020.
- The three months ended June 30, 2020 reflects \$0.1 million credit in rent expense related to forgiven rental payments as part of the Canada Emergency Commercial Rent Assistance ("CECRA") and \$0.4 million and \$0.1 million decrease in wages in three months ended June 30, 2020 and September 30, 2020 respectively, due to amounts received under the Canadian Emergency Wage Subsidy plan ("CEWS").
- There was a \$3.2 million finance expense in the three months ended March 31, 2020 related to the repayment fee of the credit facility as it was not paid prior to February 28, 2020, impacting the net loss and comprehensive loss for the period.
- For the three months ended December 31, 2020, there was a \$2.0 million goodwill impairment charge related to Silver, mainly due to the impact of COVID-19 and a reassessment of future operating results.
- There was a \$0.4 million and \$0.3 million charge to impairment of goodwill and impairment of intangible assets included in the net loss and comprehensive loss for the three months ended December 31, 2019 that related to the suspension of operations at Involved Medicine on an indefinite basis.

Review of operating results – Fourth quarter

The following table presents selected financial information (including certain non-IFRS measures, as noted) for the three months ended December 31, 2020 and 2019, which were derived from the consolidated financial statements for the respective periods:

	For the three months ended	
	December 31,	
	2020	2019
Revenue	\$ 2,973,395	\$ 1,629,184
Cost of sales		
Consultants	902,870	699,566
Cost of goods sold	195,278	189,376
Clinic and medical supplies	119,350	80,811
Total cost of sales	1,217,498	969,753
Gross margin	1,755,897	659,431
Selling, general and administrative expenses	2,515,775	2,153,825
Loss before other items	(759,878)	(1,494,394)
Other items		
Amortization of intangible assets	31,089	8,352
Finance expense	709,249	205,494
Gain on remeasurement of contingent consideration	(40,000)	-
Gain on remeasurement of lease liability	(17,518)	-
Impairment of goodwill	2,000,699	419,722
Impairment of intangible assets	1,500	284,007
Impairment of property and equipment	72,655	-
Loss on disposal of property and equipment	13,950	-
Share-based compensation	123,527	170,208
	2,895,151	1,087,783
Loss before income taxes	(3,655,029)	(2,582,177)
Income tax (recovery) expense	-	(256,775)
Net loss and comprehensive loss	(3,655,029)	(2,325,402)
Net loss attributable to:		
Shareholders	(3,623,586)	(2,309,152)
Non-controlling interest	(31,443)	(16,250)
	\$ (3,655,029)	\$ (2,325,402)
Basic and diluted loss per share	\$ (1,124)	\$ (716)
Weighted average common shares outstanding		
Basic and diluted	3,224	3,224
Diluted	3,224	3,224

Review of operating results – Three months ended December 31,
Revenue and gross margin

	For the three months ended December 31,			
	2020	2019	Change \$	Change %
Revenue				
Provincially insured physician services	\$ 1,378,481	\$ 926,467	\$ 452,014	49%
Products and provincially non-insured physician services	469,501	644,789	(175,288)	(27%)
Cannabis education	1,125,413	57,928	1,067,485	1843%
Total revenue	<u>\$ 2,973,395</u>	<u>\$ 1,629,184</u>	<u>\$ 1,344,211</u>	<u>83%</u>
Cost of sales				
Consultants	\$ 902,870	\$ 699,566	\$ 203,304	29%
Cost of goods sold	195,278	189,376	5,902	3%
Clinic and medical supplies	119,350	80,811	38,539	48%
Total cost of sales	<u>\$ 1,217,498</u>	<u>\$ 969,753</u>	<u>\$ 247,745</u>	<u>26%</u>
Gross margin	\$ 1,755,897	\$ 659,431	\$ 1,096,466	166%

Revenues increased from \$1.6 million for the three months ended December 31, 2019 to \$3.0 million for the same 2020 period. The increase in revenues are due to the business acquisitions made in fiscal 2020 and the growth of current revenue programs.

In response to the COVID-19 pandemic, the Company was forced to temporarily close its offices and certain clinics. The Company placed additional focus on telemedicine services in order to service its current and new patients. Certain clinics were considered essential during this period and were able to stay open, attracting more patients during this period.

Gross margin has increased by \$1.1 million for the three months ended December 31, 2020 versus the 2019 quarter. This is consistent with the increase in revenues and reflects the expansion of the Company's services, product offerings and operations. The improvement in gross margins is mainly due to the increase in cannabis education revenues which have significantly higher gross margins than the other revenue streams.

Selling, general and administrative expenses

	For the three months ended December 31,			
	2020	2019	Change \$	Change %
Wages and benefits	\$ 1,248,164	\$ 1,269,143	\$ (20,979)	(2%)
Professional and consulting fees	429,223	235,642	193,581	82%
Rent and utilities	259,324	193,108	66,216	34%
Marketing	32,734	99,552	(66,818)	(67%)
Office expenses	324,633	153,382	171,251	112%
Depreciation on property and equipment	221,697	202,998	18,699	9%
	<u>\$ 2,515,775</u>	<u>\$ 2,153,825</u>	<u>\$ 361,950</u>	<u>17%</u>

Selling, general and administrative ("SG&A") expenses increased to \$2.5 million for the three months ended December 31, 2020 compared to \$2.2 million for the same 2019 fiscal period. The increase is consistent with the business acquisitions made in fiscal 2020 and the growth of current revenue programs. Furthermore, there

has been a significant increase in professional and consulting fees related to the proposed Qualifying Transaction (see “Subsequent Events” note for more detail).

In response to the impact of COVID-19 on the business, the Company was forced to close corporate offices and certain of its clinics and temporarily lay off employees and contractors as well as reduce hours of staff, leading to an overall decrease in wages and benefits despite the newly acquired businesses in fiscal 2020.

Other items

Other expense/(income)	For the three months ended December 31,			
	2020	2019	Change \$	Change %
Amortization of intangible assets	\$ 31,089	\$ 8,352	\$ 22,737	272%
Finance expense	709,249	205,494	503,755	245%
Gain on remeasurement of contingent consideration	(40,000)	-	(40,000)	n/a
Gain on remeasurement of lease liability	(17,518)	-	(17,518)	n/a
Impairment of goodwill	2,000,699	419,722	1,580,977	377%
Impairment of intangible assets	1,500	284,007	(282,507)	(99%)
Impairment of property and equipment	72,655	-	72,655	n/a
Loss on disposal of property and equipment	13,950	-	13,950	n/a
Share-based compensation	123,527	170,208	(46,681)	(27%)
	<u>\$ 2,895,151</u>	<u>\$ 1,087,783</u>	<u>\$ 1,807,368</u>	<u>166%</u>

The \$0.5 million increase in finance expense for the three month ended December 31, 2020 over the same prior year period is mainly due to the higher outstanding debt balance throughout the period.

The \$0.04 million of a gain on remeasurement of contingent liability relates to the NACC asset purchase contingent liability. On acquisition, the probability fair value of the contingent consideration was estimated to be \$0.2 million based on the Company’s estimate of the performance targets being achieved. At December 31, 2020, on review of the results, management adjusted the probability fair value of the contingent consideration to \$0.17 million based on the Company’s estimate of the performance targets being achieved.

Goodwill related to Silver was impaired by \$2.0 million in the three months ended December 31, 2020 due to the impact of the COVID-19 pandemic and a reassessment of future operating results. There was a \$0.4 million and \$0.3 million charge to impairment of goodwill and impairment of intangible assets included in the net loss and comprehensive loss for the three months ended December 31, 2019 that related to the suspension of operations at Involved Medicine on an indefinite basis.

Impairment of property and equipment mainly relates to the adjustment of a right of use asset for a facility related to the Involved Medicine operations which is no longer in use. The right of use asset was adjusted to its net realizable value on the assumption that management would be able to sublease the location.

Financial position

The following table presents a summary of the Company's financial position:

	December 31, 2020	December 31, 2019	Change \$	Change %
Working capital deficiency*	\$ (21,352,796)	\$(12,226,544)	\$(9,126,252)	75%
Non-current assets	5,626,813	7,167,179	(1,540,366)	(21%)
Long-term obligations	2,733,403	3,395,256	(661,853)	(19%)
Shareholders' deficiency	(18,459,386)	(8,454,621)	(10,004,765)	118%

* see "Non-IFRS financial measures" section

Working capital

The \$9.1 million decrease in working capital from December 31, 2019 to December 31, 2020 reflects the following:

- \$5.2 million increase in the credit facility owing to Cura-Can, mainly due to the \$3.2 million repayment fee charged and interest accrued on the higher balance, additional \$0.9 million drawn from the facility, offset by the \$0.1 million deferred financing fees
- \$0.7 million in outstanding senior secured notes issued in fiscal 2020
- \$1.0 million increase in accounts payable and accrued liabilities reflecting the larger operations of the Company and a \$0.4 million fair value of guarantee accrual related to an outstanding litigation matter (See "Legal claim contingencies" for more detail)
- \$3.7 million increase in current portion of convertible debt due to \$0.2 million of outstanding convertible debt from 2019 being moved to current liabilities, \$1.6 million of convertible debentures issued, \$1.4 million of a note transferred from Cura-Can, \$0.2 million in deferred acquisition related to the NMI business acquisition and \$0.2 million outstanding of a convertible note related to the NACM asset acquisition
- \$0.2 million increase in the current portion of lease liability due to timing of payments
- \$0.1 million of deferred revenues due to the timing of prepayment of various customers

Offset by:

- \$1.0 million decrease in due to related parties
- \$0.5 million increase in accounts and other receivables in line with the overall increase in revenues and timing of receipt of payment
- \$0.2 million increase in convertible debenture receivable due to the financing transaction that occurred in late 2020.

Non-current assets

Non-current assets consist of property and equipment, intangible assets, due to related parties and goodwill.

The \$0.8 million decrease in property and equipment is due to:

- depreciation of \$0.9 million for the year
- \$0.1 million impairment of right of use asset related to a leased premises that is no longer in use
- Offset by \$0.1 million of additions

Intangible assets consist of values related to group billing numbers, brand, customer list, standard operating procedures and software. The \$0.7 million increase in intangible assets for year ended December 31, 2020 is due to additions acquired through business combinations of \$0.6 million and \$0.2 million from an asset acquisition, offset by \$0.1 million in amortization.

Goodwill decreased by \$1.4 million for the year ended December 31, 2020. The business combinations of NMI resulted in a goodwill of \$0.2 million and NACC Clinics \$0.3 million. During the year, the Company impaired goodwill of \$2.0 million related to Silver, mainly due to impacts from the COVID-19 pandemic and a reassessment of future operations.

Long-term obligations

As at December 31, 2020 long-term obligations consist of lease liability and government loan payable.

As at December 31, 2019 long-term obligations consist of lease liability, loan payable and convertible debentures.

See the section "Liquidity and capital resources" for more detail.

Shareholder's deficiency

The Company is authorized an unlimited number of Class A shares, an unlimited number of Class B shares, an unlimited number of Class C Preferred shares issuable in series and an unlimited number of Class D shares, issuable in series. As at December 31, 2020 there are 3,224 Class A common shares issued and outstanding. All 3,224 Class A common shares are held by Cura-Can Health Corp. As at December 31, 2020 the Company had 3,000,000 stock options outstanding with a weighted average exercise price of \$1.00.

Subsequent to year end the Company declared a \$5.0 million dividend. See "Subsequent Events" for more detail.

Shareholder's deficiency increased by \$10.0 million from December 31, 2019 to December 31, 2020 is primarily due to the \$10.3 million net loss and \$0.5 million stock option expense, offset by \$0.3 million adjustments to contributed surplus related to transfers of assets and liabilities from a related party under common control.

Liquidity and capital resources

Liquidity risk

Due to related parties

As at December 31, 2020 the Company had \$5.5 million owing to Cura-Can, consisting of a \$5.4 million intercompany payable and \$0.1 million promissory grid note bearing 12% interest. Also outstanding is a \$0.2 million owing to NHS consisting of \$0.04 million related to a non-interest demand promissory note and \$0.16 million of intercompany payable.

As at December 31, 2020 the Company had \$0.07 million owing from related parties (\$0.1 million as at December 31, 2019).

The Company issued a guarantee to a company that is a significant shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can. In fiscal 2020, Cura-Can amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As a result, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. The credit facility matured March 1, 2021. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

Promissory Note

On September 23, 2020, the Company entered into a demand grid promissory note ("Promissory Note") due to Cura-Can, for a principal sum of \$0.1 million, which included a 10% financing fee. The Promissory Note bears interest at 12% per annum and is due on demand. The amount is included in due to related parties.

As of December 31, 2020, there was \$0.1 million outstanding on the Promissory Note.

Credit facility with related party

In March of 2019, the Company entered into a debt facility agreement with its parent company, Cura-Can. The facility is unsecured and carries a coupon of 10%, compounded monthly. The credit facility is being used to fund the Company's operations.

As at December 31, 2020 there was \$9.2 million in principal and \$1.5 million in interest outstanding on the credit facility. This balance was offset by \$0.1 million in deferred financing fees.

The credit facility matured March 1, 2021. The facility may be repaid at any time at the option of the Company. If not repaid prior to February 28, 2020, a repayment fee is added to the principal balance outstanding. The repayment fee is equal to one half of the outstanding principal and accrued interest at February 28, 2020, plus the interest that would have accrued if the repayment fee had been applied at the commencement of the loan.

The Company's credit facility was not repaid prior to February 28, 2020. As a result, a repayment fee equal to \$3.2 million was added to the principal balance of the credit facility as at February 29, 2020. The repayment fee was recognized in profit or loss.

Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

Government loan payable

In fiscal 2020, the Company was approved and received a \$0.04 million line of credit under the Canadian Emergency Business Account ("CEBA") program funded by the Government of Canada for three of its subsidiaries for a consolidated amount of \$0.12 million. The loan is non-interest bearing, can be repaid at any time without penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven. If on December 31, 2022, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining. As the Company expects to repay 75% of the loan on or before December 31, 2022, it recorded a debt forgiveness of \$0.1 million which represents the difference between the fair value of the debt and the total amount of the CEBA term loan received.

As at December 31, 2020 there was \$0.1 million outstanding on government loan payable.

Convertible debentures 2019

During the year ended December 31, 2019, the Company issued \$0.05 million and \$0.1 million of unsecured convertible debentures, subordinate to senior debt, that mature on August 2021 and October 2021 respectively. The debentures bear interest at 10% per annum with interest accrued due at the end of the term. The debentures are convertible at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a Qualified Financing or Liquidity Event. A liquidity event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company

followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the Board of Directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

As at December 31, 2020 there was \$0.2 million outstanding on the convertible debentures.

Convertible debentures 2020

For the year ended December 31, 2020, the Company issued unsecured convertible debentures of \$1.5 million. Of this amount, \$0.2 million were receivable at December 31, 2020. Under the terms of the offering, the Company could issue up to a maximum of \$5.0 million in debentures. Subsequent to year end, the Company issued an additional \$0.8 million in convertible debentures, for a total gross issuance of \$2.3 million.

The unsecured convertible debentures mature 24 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

At December 31, 2020, these convertible debentures had principal and accrued interest outstanding of \$1.6 million.

Convertible note

On March 6, 2020, the Company acquired certain assets from NACM for the aggregate purchase price of \$1.2 million, including a convertible note of \$0.2 million and a maximum earn-out bonus of \$1.0 million.

The convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company's option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$0.01 million or the deemed market value. If no such event occurs prior to maturity, the note shall be paid in cash. The conversion terms, allow NACM to convert the promissory note into a number of shares equal, on conversion, to the face value of the note at their deemed

market value. This fails the “fixed for fixed” criterion because a variable number of shares will be issued to extinguish a fixed liability amount. As such, the fair value of the debt equals its transaction price of \$0.2 million.

As at December 31, 2020 there was \$0.2 million outstanding on the convertible note.

Deferred acquisition cost

On August 31, 2020, the Company acquired the assets of NMI for the purchase price of \$0.1, including contingent consideration of \$0.05 million. Consideration transferred included cash of \$0.1 million and an unsecured non-interest bearing 12-month convertible promissory note for up to \$0.3 million, adjustable based on the results of the contingent payment.

The deferred acquisition cost of \$0.25 million, in the form of the convertible promissory note is recognized at inception at the fair value of the host debt and embedded derivative. The convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. The Company may repay the note with out notice or penalty. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discounted of the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then the Company will either: (i) issue additional common shares to NMI equal to the indebtedness less the value of the converted shares on the date immediate after the hold period (“hold value”); (ii) pay to NMI an amount equal to the hold value in cash.

The Company has classified the instrument entirely as a liability because the number of shares that would be issued on conversion varies. The Company has elected to designate the deferred acquisition cost at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price. On August 31, 2020, the fair value of the host debt and the embedded derivative (conversion feature) was \$0.2 million. The value was calculated by taking the value of the host debt and any accrued liabilities and dividing it by the conversion premium (90%).

At December 31, 2020 the amortized cost of the deferred acquisition cost remains at \$0.2 million.

Hew Note

Cura-Can, entered into a Secured Convertible Promissory Note (“Hew Note”) dated November 5, 2019 for a principal amount of \$1.2 million with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can’s obligations under the Hew Note for principal payments of \$1.2 million and \$0.1 million in accrued interest in exchange for a reduction of TCNC’s amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note is convertible into Class A Common Shares of TCNC at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to liquidation event, qualified financing or change of control.

As this was a transfer of debt between companies under common control, the Hew Note was transferred to TCNC at its fair value of \$1.4 million, with the variance between the carrying value and transaction price (\$1.3 million consisting of principal and accrued interest of \$1.2 million and \$0.1 million respectively) being recorded as an adjustment to equity of \$0.1 million.

The Company has classified the instrument as a liability because the number of shares that would be issued on conversion varies. The Company has elected to designate the Hew note at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at

each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price.

At December 31, 2020, the Hew Note had principal and accrued interest outstanding of \$1.3 million, which resulted in a fair value of \$1.4 million.

Senior secured notes

In 2020, the Company entered into agreements for the issuance of \$0.7 million (\$0.6 million net of loan fees) in senior secured notes (the "Series I Notes"), including \$0.4 million with related parties. In October 2020, the Company amended the agreement and issued an additional \$0.3 million (\$0.28 million net of loan fees) in senior secured notes (the "Series II Notes"), including \$0.2 million with related parties.

The Notes bear coupon interest at a rate of 20% per annum, payable in arrears on maturity and monthly thereafter. In addition, a loan structuring fee of 10%, an exit fee equal to 5% of the principal and interest outstanding is payable at the earlier of the maturity date or date of repayment.

The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand. The Notes may be repaid within 90 days of issuance subject to either: (a) the consent of two-thirds of the note holders, or (b) payment of the principal outstanding plus the equivalent of three months interest and the exit fee. After this time, the Notes may be repaid at the option of the Company. The Series II Notes must be repaid and fully satisfied prior to any prepayment or repayment of the Series I Notes.

The Notes are secured by a general security agreement and rank senior to the Company's guarantee of its parent company debt.

On December 31, 2020, the Company paid \$0.3 million in principal and \$0.02 million in interest and exit fees to certain holders of the Series II Notes.

The Notes are presented net of deferred financing costs, which is amortized over the life of the loan.

For the year ended December 31, 2020, total amortized deferred financing fees were \$0.1 million and \$0.1 million of interest expense.

As at December 31, 2020, the company had \$0.7 million outstanding of the Series I and Series II Notes and \$0.1 million of accrued interest and financing fees. The Notes are presented net of deferred financing fees of \$0.04 million.

Liquidity risk is the risk that the Company may encounter difficulties in meeting its financial liability obligations as they become due. The Company has planning and budgeting processes in place to help determine the funds required to support its normal operating requirements on an ongoing basis. Since inception, the Company has financed its cash requirements primarily through long-term debt and funds from operations. The Company controls liquidity risk through management of working capital, cash flows, and sourcing of funding.

The purpose of liquidity management is to ensure that there is sufficient cash to meet all of its financial commitments and obligations as they come due. The consolidated financial statements for the year ended December 31, 2020 have been prepared on a going concern basis, which assert that the Company has the ability in the near term to continue to realize its assets and discharge its liabilities and commitments as they become due. The Company have been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the Company's ability to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps the Company is taking will be successful.

Cash flows

	December 31, 2020	December 31, 2019	Change \$	Change %
Cash flows provided by (used in):				
Operating activities	\$ (1,629,808)	\$ (4,053,477)	\$2,423,669	(60%)
Financing activities	2,213,442	7,973,771	(5,760,329)	(72%)
Investing activities	(657,057)	(3,510,389)	2,853,332	(81%)
Net (decrease) increase in cash	\$ (73,423)	\$ 409,905	\$ (483,328)	(118%)

At December 31, 2020 the Company had a cash balance of \$0.4 million.

The cash outflow from operating activities for the year ended December 31, 2020 is a result of a \$10.3 million net loss, \$8.9 million of finance expense and non-cash expenses and \$0.2 million outflow from working capital. The cash outflow from operating activities for the year ended December 31, 2019 are a result of the \$6.7 million net loss, \$2.0 million of finance expense and non-cash expenses and \$0.6 million of cash inflow from working capital.

The cash inflow from financing activities for the year ended December 31, 2020 is a result of \$0.1 million in net advances from related parties, \$0.9 million increase in credit facility, \$0.1 million from government loans, \$1.3 million from convertible debentures and \$0.9 million from senior secured notes issued. This is offset by \$0.4 million repayment of lease liabilities, \$0.4 million paid in interest and \$0.3 million repayment of senior secured notes. The cash inflow from financing activities for the year ended December 31, 2019 is a result of the \$3.4 million in net advances from related parties, \$5.1 million in proceeds from the credit facility, \$0.2 million in proceeds from the convertible debenture, \$0.1 million proportionate investment in 10030712 Manitoba Ltd. This is offset by \$0.5 million repayment of lease liabilities and \$0.3 million paid in interest.

The \$0.7 million outflow in investing activities for the year ended December 31, 2020 relates to \$0.1 million acquisition of NMI, \$0.5 million acquisition of NACC clinic business and \$0.1 million purchase of property and equipment. The \$3.5 million outflow in investing activities for the year ended December 31, 2019 relates to \$3.4 million of funds used in acquisitions and \$0.1 million purchase of property and equipment.

Contractual obligations and commitments

As of December 31, 2020, and in normal course of business, the Company has the following obligations to make future payments, representing contracts and other commitments that are known and committed.

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	\$ 2,011,801	\$ -	\$ -	\$ 2,011,801
Due to related parties	5,681,071	-	-	5,681,071
Credit facility with related party	10,627,164	-	-	10,627,164
Lease liability	1,239,543	2,790,560	2,298,704	6,328,807
Convertible debt	4,769,401	-	-	4,769,401
Senior secured notes	883,575	-	-	883,575
Government loan	-	90,000	-	90,000
	<u>\$ 25,212,555</u>	<u>\$ 2,880,560</u>	<u>\$ 2,298,704</u>	<u>\$ 30,391,819</u>

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

On November 23, 2020, the Company entered into a five year lease agreement starting January 1, 2021 and ending December 31, 2025. The rent for the property \$0.07 million per year. Due to ongoing construction by the landlord, the commencement of the lease was further delayed to March 2021.

Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by its parent, key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balance and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Due to related parties

Related party balance consists of amounts owing from related parties:

	December 31, 2020	December 31, 2019
Due from Natural Health Services, a subsidiary of Cura-Can	\$ -	\$ 70,000
Due from Pathway Health Corp, a subsidiary of Cura-Can	30,296	-
Due from key management, net	36,800	-
	<u>\$ 67,096</u>	<u>\$ 70,000</u>

Related party balance consists of amounts owing to related parties:

	December 31, 2020	December 31, 2019
Due to Cura-Can	\$ 5,387,563	\$ 6,591,885
Promissory Grid note due to Cura-Can	88,000	-
Due to Natural Health Services, a subsidiary of Cura-Can	205,508	-
Due to key management, net	-	64,419
	<u>\$ 5,681,071</u>	<u>\$ 6,656,304</u>

Aside from the Promissory Grid note, the amounts above are non-interest bearing and have no fixed term of repayments. In addition to the above, the Company's credit facility is due to Cura-Can (see "Liquidity and capital resources" section). The amounts due to Natural Health Services ("NHS") include a non-interest bearing promissory note of \$0.04 million and an intercompany payable of \$0.17 million.

Other related party transactions

The Company issued a guarantee to a company that is a significant shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can. In fiscal 2020, Cura-Can amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As a result, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. The credit facility matured March 1, 2021. Subsequent to year end, the maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021.

In February 2019, the Company transferred accounts receivable balances of \$0.1 million to Cura-Can to partially repay its indebtedness owed by the Company.

In December 2019, Cura-Can entered into a business combination in which consideration transferred included common shares of Cura-Can that may be exchanged into common shares of the Company, at the Vendor's option, when a liquidity event occurs. The number of common shares of the Company that may be issued in exchange for Cura-Can shares is based on the percentage of Cura-Can shares held by the Vendor at the date of notice of the liquidity event.

In fiscal 2020, certain members of management participated in the convertible debentures issued for a total of a \$0.25 million principal investment. See "Liquidity and capital resources" section for details on the terms of the convertible debentures.

See Subsequent Events for details on a related party Bridge Loan.

Management Agreement with Natural Health Services

As of January 1, 2020, the Company entered into a Management Agreement with Natural Health Services ("NHS"), a subsidiary of Cura-Can, to provide administrative, accounting, financial, project management and evaluation of projects services. There was \$0.02 million and \$0.2 million of management fees recognized for the three and twelve months ending December 31, 2020. This agreement was terminated November 23, 2020.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the year and period are as follows:

	For the three months ended December 31,		For the year ended December 31,	
	2020	2019	2020	2019
Consulting fees	\$ -	\$ -	\$ -	\$ 30,000
Compensation	227,785	241,422	813,308	908,770
Share-based compensation	123,527	170,208	535,568	516,176
	<u>\$ 351,312</u>	<u>\$ 411,630</u>	<u>\$ 1,348,876</u>	<u>\$ 1,454,946</u>

Financial instruments

The carrying value of cash, accounts and other receivables, convertible debentures receivable, accounts payable and accrued liabilities, amounts due to related parties, loan payable and credit facility approximates fair value due to the short-term nature.

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables, convertible debentures receivable and due from related parties. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables, convertible debentures receivable and due from related parties. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures

resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. For the year ended December 31, 2020, the Company recorded writes offs of \$0.2 million in trade and other receivables (\$nil write offs in trade and other receivables for the year ended December 31, 2019).

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at December 31, 2020 of \$1.1 million (2019 - \$0.5 million). The Company's allowance for doubtful accounts as at December 31, 2020 is \$0.08 million (2019 - \$0.09 million) based on specific invoices that were deemed likely to be uncollectable. As at December 31, 2020 the percentages of past due trade accounts receivable were as follows: 18.5% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. For the year ended December 31, 2020, there was one customer that comprised of 48.6% of consolidated sales (60% of revenue from one customer as at December 31, 2019). This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for December 31, 2020 and 2019 were \$nil.

Foreign currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Off Balance Sheet Arrangements

At December 31, 2020 and 2019, the Company did not have any off balance sheet arrangements to disclose.

Accounting pronouncements

The accounting policies applied are consistent with the significant accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2020.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material effect on the Company in the current or future reporting standards.

Critical accounting estimates

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

In certain acquisitions, the company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income tax

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

f) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

g) Share-based compensation

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair value at the date of grant. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in assumptions can significantly affect the fair value estimate.

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

j) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available), warrants and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

k) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses. Actual collectability of customer balances can vary from the Company's estimation.

b) Impairment of non-financial assets

The Company tests property, plant and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property, plant and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events.

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

Non-IFRS financial measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

Working capital is a non-IFRS measure calculated as current assets less current liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time.

Legal claim contingencies

The Company, amongst others are defendants in an action in the Ontario Superior court of Justice. A former employee of the Company is claiming wrongful dismissal and is seeking damages of \$0.4 million, transfer of 200,000 shares in Cura-Can and an unquantified amount of reimbursement of legal fees. To date, discovery and the exchange of relevant non-privileged documents have not yet taken place. The Company has accrued \$0.05 million for any potential claims.

On January 11, 2021, the Company was served with an action in the Ontario Superior Court of Justice by a former employee. The employee is claiming he was wrongfully dismissed in fiscal 2020 and is seeking damages in the amount of \$0.4 million and an unquantified amount of special damages. Management plans to defend itself accordingly. The Company has accrued \$0.1 million for any potential claims in fiscal 2020.

The Company received letters dated January 11, 2021 addressed to TCNC and Natural Health Services Ltd. ("NHS"), a wholly owned subsidiary of Cura-Can. A Landlord for two units under lease by NHS has made a demand for payment of arrears of rent related to fiscal 2020 and 2021 in the amount of \$0.3 million. The Company had previously signed a Guarantee and Indemnity Agreement to unconditionally guarantee any and all obligations of the tenant (NHS) under the lease agreement. Management is preparing a defence. The Company has accrued \$0.4 million for any potential claims under this guarantee.

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

Risk Factors

Prior to making an investment decision, investors should consider the investment risks set forth below, as well as other information contained in the MD&A. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to the Company or that the Company believes to be

immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct the business, changes in health care laws and governmental regulations, and various other factors may significantly impact the ability of the Company's ability to generate revenues. Certain significant expenditures including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate its clinics, regardless of whether the Company is generating revenue.

Unfavorable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis' medicinal therapies. Medicinal cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to use of medical marijuana may have a material adverse effect on the Company (and the Company's subsidiaries) operational results, consumer base and financial results.

Patient Acquisitions

The Company's success depends on its ability to attract and retain patients. There are many factors which could impact the Company's ability to attract and retain patients, including but not limited to the successful implementation of the Company's patient-acquisition plans and the continued growth in the aggregate number of patients selecting medical marijuana as a treatment option. The Company's failure to acquire and retain patients as clients would have a material adverse effect on the Company's (and its subsidiaries) business, operating results and financial condition.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing, and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Development Risks

The future development of the Company's business may not yield expected returns and may strain management resources. Development of the Company's revenue streams is subject to a number of risks, including cost overruns, financing risks, cancellation of key service contracts, and changes in government regulations. Overall costs may significantly exceed that costs that are estimated for a particular development, which could result in reduced returns, or even losses, from such investments.

Growth Management

The Company plans to grow rapidly and significantly expand its operations. This growth will place a significant strain on management systems and resources. The Company will not be able to implement our business strategy in a rapidly evolving market, without an effective planning and management process. To date, the Company has implemented some managerial, informational, operational and financial systems and controls, however, there can be no assurance these systems and controls will be adequate. The Company may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third-party relationships the Company has, as its systems, procedures or controls may not be adequate to

support increased operations and management may be unable to manage growth effectively. To manage the planned growth, the Company will be required to significantly improve or replace existing managerial, informational, financial and operational systems, procedures and controls, and to expand, train and manage its intended growing base of personnel. The Company may also be required to expand its finance, administrative and operations staff. The Company may be unable to complete in a timely manner the improvements to its systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

Acquisitions and integration of new businesses create risks and may affect operating results

The Company may acquire additional businesses. The Company's M&A strategy involves a number of risks related to the realization of synergies and overall integration of the Company's operations, including but not limited to, human resources, company culture, product/service pricing, information technology, data integrity, information systems, business processes and financial management. COVID-19 may affect the ability of the Company to find new attractive acquisition opportunities and/or could impact the Company's ability to execute on the integration of pending acquisition opportunities.

Operating Risk and Insurance Coverage

The Company maintains insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company may be exposed. The Company may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that have a material adverse effect upon the Company's financial performance and results of operations.

Dependence upon Key Management Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants (the "Key Personnel"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Reliance on Physicians and Other Healthcare Professionals

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future due to any sort of reason including infection due to COVID-19, this would cause interruptions in the Company's business until mitigated accordingly. As such, vacancies and disabilities relating to the Company's medical staff may cause interruptions in Company's business and result in lower revenues. As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Reliance on Third Parties

The Company relies heavily on third parties such as its IT service provider, Licensed Producer partners and medical supply vendors to provide some of its goods and services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such goods and services, the Company would need to obtain such goods or services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these goods and services are replaced if possible.

Operational Dependence

The Company relies heavily on third parties such as its IT service provider, Licensed Producer partners and medical supply vendors to provide some of its goods and services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such goods and services, the Company would need to obtain such goods or services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these goods and services are replaced if possible.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Development and sale of new products

The Company may not be able to successfully develop new products or find a market for their sale. The medical and non-medical cannabis industries are in their early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by us. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authorities, which may take significant amounts of time and entail significant costs. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on our business, financial condition and operations.

Product Liability

The Company intends to develop and launch health products, some of which may be classified by Health Canada as Schedule 2 drugs (with prescription) and Schedule 3 over the -counter (no prescription). Should the Company become a distributor of products, it faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against

potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Branding and advertising restrictions

Restrictions on branding and advertising may negatively impact the Company's ability to attract and retain customers. The Company's success depends on their ability to attract and retain patients and customers. *The Cannabis Act* strictly regulates the way cannabis is packaged, labelled, and displayed. The associated provisions are quite broad and are subject to change. It is currently prohibited to use testimonials and endorsements, depict people, characters and animals and produce any packaging that may be appealing to young people. The restrictions on packaging, labelling, and the display of our cannabis products may adversely impact our ability to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This may ultimately have a material adverse effect on business, financial conditions and operations.

Health impacts on cannabis use

There may be unknown health impacts associated with the use of cannabis and cannabis derivative products. There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using cannabis and cannabis derivative products. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Cybersecurity

The Company relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. As a result, the Company and/or its patients are exposed to risks related to cybersecurity. Such risks may include unauthorized access, use, or disclosure of sensitive information (including confidential patient health records), corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware).

Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked. The Company's operations depend, in part, on how well it protects networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to damage to hardware, computer viruses, hacking and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

A compromise of the Company's information technology or confidential information, or that of the Company's patients and third parties with whom the Company interacts, may result in negative consequences, including the inability to process patient transactions, reputational harm affecting patient and/or investor confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on the Company's business, financial position, results of operations or cash flows. As the Company has access to sensitive and confidential information, including personal information and personal health information, and since the Company may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees), there is a risk that sensitive and confidential information, including personal information and personal health information, may be disclosed through improper use of the Company's systems, software solutions or networks or that there may be unauthorized access, use, disclosure, modification or destruction of such information. The Company's on-going

risk and exposure to these matters is partially attributable to, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, malfunction, human error, technological error or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of patients of the Company and specifically their medical histories. There can be no assurance that the Company's policies, procedures and systems will be sufficient to address the privacy concerns of existing and future patients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a patient's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Litigation

The Company may become party to litigation from time to time in the ordinary course which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such decision could adversely affect the Company's ability to continue operating and the value of the Company Shares and require the Company to devote significant resources to such matters.

Government Regulation

The Company's operations may be subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in the imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all governmental laws and regulations. The Licensed Producers that provide medical marijuana to the Company's patients will be subject to various federal, provincial and municipal laws relating to the ACMPR in Canada. While there are currently no indications that the Company requires approval from Health Canada, such approval may ultimately be required. There can be no assurance that changes in the laws and regulations will not have an adverse effect on the Company's business.

The current and future operations of the Company are and will be governed by the laws and regulations governing the health care industry, labour standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing operations and activities of health clinics, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or costs, or reduction in levels of its medical services.

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's business operates in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a material adverse effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including all matters relating to COVID-19, the number and size of acquisitions consummated (if any), rate of growth of its client base, the cost of expanding into new markets (if any), the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture. There can be no assurance that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Company and the price of the Company's securities could be adversely affected.

COVID-19 Pandemic and Other General Risks Related to Catastrophic Events

Catastrophic events in general can have a material impact on the potential continuity of the Company's business. The continued spread of COVID-19 globally could adversely affect the Company's patient care and clinic operations, as healthcare providers may have heightened exposure to COVID-19 if an outbreak occurs in their geography. The Company's ability to provide health care services may be adversely affected or disrupted as a result of changing patient intake patterns and needs as well as reduced availability of physicians and/or support staff. Further, the COVID-19 outbreak could result in adverse effects on the Company's business and operations due to prioritization of clinic resources toward the outbreak or if quarantines and/or restrictions (such as travel restrictions) impede physician, staff or patient movement or interrupt healthcare services.

The Company relies on third-party service providers to assist them in managing, monitoring and otherwise carrying out aspects of its business and operations, and the outbreak may affect their ability to devote sufficient time and resources to the business. The third-party contract supplier organizations' ability to deliver required medical and other supplies, such as personal protective equipment, on a timely basis, may also be limited or affected materially. Such events may result in a period of business disruption, reduced operations, any of which could materially affect the Company's business, financial condition and results of operations. The Company's ability to serve patients remotely via telehealth services could be affected by technology vulnerabilities and/or glitches that could impede the ability for physicians and patients to access and/or utilize the software reliably.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect liquidity.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Company's business, operations and financial performance will depend on future developments, including but not limited to, matters such as (a) the duration and/or severity of the outbreak, (b) government policies, restrictions and requirements as it relates to social distancing, forced quarantines and other requirements, (c) nongovernmental influences or challenges such as the failure of banks and/or (d) any kind of ripple effect caused by the substantial economic damage that can be inflicted on society by a pandemic like COVID-19 such as lawlessness. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence. Societal functions are not expected to return to normal until a vaccine is widely available to the public. This is not expected to occur until sometime in 2021.

Subsequent events

TCNC Asset Acquisition Transaction and Qualifying Transaction

On January 18, 2021, Pathway entered into an asset and share purchase agreement ("Asset and Share Purchase Agreement") with the Company, for purchase of all or substantially all of the operating assets of the Company ("Asset Acquisition Transaction"). The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement was consisted of \$4.9 million in a non-interest bearing demand promissory note and 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities totalling \$5.0 million.

On January 29, 2021, Pathway entered into a definitive share exchange agreement with Colson Capital Corp. (TSXV:COLSP) ("Colson"), a capital pool company whose shares are listed on the NEX board of the TSX Venture Exchange. Colson will purchase all of the issued and outstanding shares of Pathway in 1:1 exchange for the issuance of post-consolidation Colson Shares. Subject to certain conditions being met this would result in the reverse take-over of Colson by Pathway (the "RTO Transaction") to form the resulting issuer ("Resulting Issuer"). Upon completion of the RTO Transaction, it is anticipated that holders of Colson shares will own 2,856,171 post-closing consolidated shares of the Resulting Issuer. It is the intention of the parties that the Resulting Issuer will continue the business of Pathway, subject to certain terms and conditions. The RTO Transaction together with the Asset Acquisition Transaction is expected to constitute a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

On March 16, 2021, Pathway completed a private placement in connection with the RTO Transaction. The private placement was completed through a syndicate of agents, led by Canaccord Genuity Corp., and included iA Private Wealth Inc. and Leede Jones Gable Inc. (collectively, the "Agents"). Pursuant to the private placement, Pathway issued 27,600,000 subscription receipts (the "Subscription Receipts") at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$13.8 million. The gross proceeds from the Private Placement, less a portion of the fees and expenses of the Agents (the "Escrowed Funds") have been delivered to the transfer agent. The Escrowed Funds shall be held by the transfer agent until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction (other than the release of the Escrowed Funds), the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions for a transaction of this nature.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for units ("Units") of Pathway, each Unit will be comprised of one Class A share of Pathway (each a "Pathway Share") and one-half of a Pathway Share purchase warrant (each whole Pathway Share purchase warrant, a "Pathway Warrant"). Each Pathway Share and each Pathway Warrant will, in accordance with the Share Exchange Agreement, subsequently be

exchanged for one common share of the Resulting Issuer ("Resulting Issuer Shares") and one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). In addition, the Agent's Warrants will also be exchanged for equivalent instruments of the Resulting Issuer exercisable for Resulting Issuer Shares.

Declaration of capital dividend

On March 15, 2021, the Company declared a capital dividend in an aggregate amount equal to \$5.0 million on the 3,224 issued and outstanding common shares of the Company held by Cura-Can, who is the sole shareholder. The dividend will become payable and paid on March 31, 2021 by way of an secured non-interest bearing demand promissory note for \$5.0 million. The note is covered by a general security agreement granting security in favour of Cura-Can over the property and assets of the Company.

Bridge Notes

On March 23 and 24th, Pathway entered into agreements for the issuance of \$0.825 million (\$0.75 million net of loan fees) in bridge loan notes ("Bridge Notes"), including \$0.358 million with related parties.

The Bridge Notes bear coupon interest at a rate of 10% per annum and matures the earlier of September 22, 2021 and the occurrence of any events which constitute an event of default. The occurrence of an event of default includes but are not limited to, failure to pay the obligation on maturity, defaults in the performance of any material covenant, falsification of any representation or warranty under the note, insolvency, cessation or threat of cessation of business and impairment of ability to pay the obligation. The Bridge Notes are subject to a minimum of 3 months accrued interest and fees if prepaid prior to the Maturity Date.

Schedule “C”
AUDITED FINANCIAL STATEMENTS OF TCNC FOR THE YEARS ENDED DECEMBER 31, 2019 AND
2018

The Clinic Network Canada Inc.

Consolidated Financial Statements

For the year ended December 31, 2019

(Expressed in Canadian Dollars)

The Clinic Network Canada Inc.
Consolidated Financial Statements
December 31, 2019

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Independent Auditor's Report

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To the Shareholders of
The Clinic Network Canada Inc.

Qualified Opinion

We have audited the consolidated financial statements of The Clinic Network Canada Inc. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Clinic Network of Canada Inc. as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

We were not appointed as auditors for the Company's December 31, 2019 year end until subsequent to year end and thus did not observe the counting of physical inventories as at December 31, 2019. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at December 31, 2019 and therefore were unable to determine whether any adjustments were necessary in respect of inventory as at December 31, 2019 and cost of sales, consolidated net loss and comprehensive loss and consolidated cash flows from operations for the period then ended.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$6,658,444 for the year ended December 31, 2019 and had negative cash from operations of \$4,053,477 for the year ended December 31, 2019. As at December 31, 2019, current liabilities exceeded current assets by \$12,156,544. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2c to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our

- opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada

January 28, 2021

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

The Clinic Network Canada Inc.
Consolidated Statement of Financial Position
December 31, 2019

	December 31, 2019	December 31, 2018 (Restated – Note 2)
Assets		
Current		
Cash	\$ 435,277	\$ 25,372
Accounts and other receivables (Note 6)	534,179	401,945
Inventory (Note 10)	302,073	-
Prepays	97,343	23,805
Due from related parties (Note 14)	70,000	-
	<u>1,438,872</u>	<u>451,122</u>
Property and equipment (Note 7)	4,314,556	316,527
Intangible assets (Note 8)	781,924	289,957
Goodwill (Note 9)	2,000,699	419,722
	<u>7,097,179</u>	<u>1,026,206</u>
Total assets	<u>\$ 8,536,051</u>	<u>\$ 1,477,328</u>
Liabilities and deficit		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 1,047,850	\$ 519,289
Deferred revenue (Note 12)	-	118,497
Current portion of lease liability (Note 13)	553,734	-
Due to related parties (Note 14)	6,656,304	3,168,064
Credit facility with related party (Note 15)	5,337,528	-
	<u>13,595,416</u>	<u>3,805,850</u>
Long-term portion of lease liability (Note 13)	3,234,930	-
Loan payable	3,706	-
Convertible debentures (Note 17)	156,620	-
Deferred tax liability (Note 16)	-	74,787
	<u>16,990,672</u>	<u>3,880,637</u>
Shareholders Deficit		
Share capital (Note 17)	675,000	675,000
Contributed surplus	516,176	-
Deficit	(9,805,419)	(3,227,042)
Non-controlling interest (Note 25)	159,622	148,733
	<u>(8,454,621)</u>	<u>(2,403,309)</u>
Total liabilities and deficit	<u>\$ 8,536,051</u>	<u>\$ 1,477,328</u>

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Loss and Comprehensive Loss
For the year ended December 31, 2019

	2019	2018
Revenue (Note 19)	\$ 6,565,438	\$ 550,934
Cost of sales		
Licensing fees	-	282,156
Consultants	2,906,221	109,643
Cost of goods sold	916,603	-
Clinic and medical supplies	359,167	6,032
Total cost of sales	<u>4,181,991</u>	<u>397,831</u>
Gross margin	2,383,447	153,103
Selling, general and administrative expenses (Note 20)	<u>7,771,508</u>	<u>1,327,298</u>
Loss before other items and income taxes	<u>(5,388,061)</u>	<u>(1,174,195)</u>
Other items		
Finance expense (Note 22)	(569,750)	(5,823)
Amortization of intangibles	(32,603)	(7,194)
Share-based compensation (Note 17)	(516,176)	-
Impairment of intangible assets (Note 8)	(284,007)	(491,973)
Impairment of goodwill (Note 9)	(419,722)	-
Gain on acquisition of Slawner Ortho (Note 5)	295,100	-
Impairment of loan receivable	-	(259,500)
Forgiveness of debt	-	57,302
	<u>(1,527,158)</u>	<u>(707,188)</u>
Loss before income taxes	(6,915,219)	(1,881,383)
Income tax (recovery) expense (Note 16)	<u>(256,775)</u>	<u>9,568</u>
Net loss and comprehensive loss	<u>\$ (6,658,444)</u>	<u>\$ (1,890,951)</u>
Net loss attributable to:		
Shareholders	\$ (6,578,377)	\$ (1,890,951)
Non-controlling interest (Note 25)	(80,067)	-
	<u>\$ (6,658,444)</u>	<u>\$ (1,890,951)</u>
 Basic and diluted loss per share (Note 18)	 <u><u>\$ (2,040.44)</u></u>	 <u><u>\$ (586.52)</u></u>

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Changes in Equity
For the year ended December 31, 2019

	Share Capital Number	Share Capital Amount	Contributed Surplus	Deficit	Total	Non-Controlling Interest	Total Deficit
Balance, January 1, 2018	3,224	\$ 675,000	\$ -	\$ (1,336,091)	\$ (661,091)	\$ -	\$ (661,091)
Proportionate investment in 10030712 Manitoba Ltd. (Note 25)	-	-	-	-	-	5	5
Net loss and comprehensive loss	-	-	-	(1,890,951)	(1,890,951)	-	(1,890,951)
Balance, December 31, 2018, as previously stated	3,224	675,000	-	(3,227,042)	(2,552,042)	5	(2,552,037)
Prior period restatement (Note 2)	-	-	-	-	-	148,728	148,728
Balanced, December 31, 2018, as restated	3,224	\$ 675,000	\$ -	\$ (3,227,042)	\$ (2,552,042)	\$ 148,733	\$ (2,403,309)
Proportionate investment in 10030712 Manitoba Ltd. (Note 25)	-	-	-	-	-	90,956	90,956
Issuance of stock options (Note 17)	-	-	516,176	-	516,176	-	516,176
Net loss and comprehensive loss	-	-	-	(6,578,377)	(6,578,377)	(80,067)	(6,658,444)
Balance, December 31, 2019	3,224	\$ 675,000	\$ 516,716	\$ (9,805,419)	\$ (8,614,243)	\$ 159,622	\$ (8,454,621)

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018 (Restated – Note 2)
Net loss	\$ (6,658,444)	\$ (1,890,951)
Operating activities		
Items not affecting cash		
Amortization of intangible assets	32,603	7,194
Depreciation of property and equipment	764,543	-
Finance expense	569,750	5,823
Share-based compensation	516,176	-
Impairment of loan receivable	-	259,500
Deferred tax (recovery) expense	(256,775)	9,568
Gain on acquisition of Slawner Ortho	(295,100)	-
Impairment of intangible assets	284,007	491,973
Impairment of goodwill	419,722	-
	<u>(4,623,518)</u>	<u>(1,116,893)</u>
Changes in non-cash working capital balances		
Accounts and other receivables	40,745	(145,490)
Prepays	(34,779)	(13,380)
Inventory	313,635	-
Accounts payable and accrued liabilities	368,937	69,951
Deferred revenue	(118,497)	43,554
Net cash used in operating activities	<u>(4,053,477)</u>	<u>(1,162,258)</u>
Financing activities		
Net advances from related parties	3,418,240	1,193,942
Proceeds from credit facility with related party	5,122,000	-
Repayment of lease liability	(459,936)	-
Repayment of loan payable	(1,080)	-
NCI proportionate investment in 10030712 Manitoba Ltd.	90,956	-
Interest paid	(349,501)	-
Interest received	3,092	-
Proceeds from convertible debentures	150,000	-
Net cash provided by financing activities	<u>7,973,771</u>	<u>1,193,942</u>
Investing activities		
Acquisition of 9937340 Canada Inc.	-	(35,237)
Acquisition of 2563367 Ontario Ltd.	(2,934,299)	-
Acquisition of Slawner Ortho	(374,441)	-
Acquisition of Slawner Ortho accounts receivable	(52,164)	-
Purchase of intangible assets	(5,000)	-
Purchase of property and equipment	(144,485)	(3,253)
Net cash used in investing activities	<u>(3,510,389)</u>	<u>(38,490)</u>
Increase (decrease) in cash	409,905	(6,806)
Cash, beginning of year	25,372	32,178
Cash, end of year	<u>\$ 435,277</u>	<u>\$ 25,372</u>

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Note 1 – Nature of operations and going concern

The Clinic Network Canada Inc. (“the Company” or “TCNC”) is a private company, incorporated under the Canada Business Corporations Act on March 3, 2017. The Company’s primary business is the owning and operating of medical clinics specializing in chronic pain. The Company is a wholly owned subsidiary of Cura-Can Health Corp (“Cura-Can”).

The Company’s registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The Company’s ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the year ended December 31, 2019 totalled \$6,658,444 (2018 - \$1,890,951) and as at December 31, 2019 the Company had a shareholder’s deficiency of \$8,454,621 (2018 - \$2,403,309). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses.

In addition, the Company’s current liabilities exceed its current assets by \$12,156,544 (2018 - \$3,354,728). These balances and the changes year over year indicate that there are material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

Management has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. Subsequent to December 31, 2019, the Company drew an additional \$880,000 of financing on its credit facility with a related party to fund the operating losses of the Company and to support expansion of the operations (Note 26). In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

The consolidated financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and such adjustments could be material.

Note 2 – Basis of presentation

a) Statement of compliance

The consolidated financial statements, the comparatives, and the notes hereto have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as at December 31, 2019 and described in the summary of significant accounting policies. The consolidated financial statements of the Company were authorized for issue by the Board of Directors on January 28, 2021.

Note 2 – Basis of presentation (continued)

b) Significant accounting estimates and judgments

The preparation of annual consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involve uncertainty and, consequently, the estimates used in preparation of the consolidated financial statements may change as future events unfold, more experience is acquired or the Company's operating environment changes. Actual results may differ from these estimates under different assumptions or conditions. Estimates and judgments are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. See Note 3 for further details.

c) Prior period restatement

During 2019, the Company discovered that accounts and other receivables and non-controlling interest had been understated in its 2018 financial statements. This has been corrected by restating each of the affected financial statement line items for the prior period. Periods prior to 2018 were not impacted. The following table summarizes the impact on the Company's consolidated statement of financial position:

December 31, 2018	As previously stated	Adjustments	As restated
Accounts and other receivables	\$ 253,217	\$ 148,728	\$ 401,945
Total assets	1,328,600	148,728	1,477,328
Non-controlling interest	5	148,728	148,733
Total liabilities and deficit	1,328,600	148,728	1,477,328

This restatement did not impact the Company's consolidated statement of loss and comprehensive loss, basic and diluted earnings per share, or consolidated statement of cash flows.

Note 3 – Significant accounting policies

New standards adopted as at January 1, 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The new Standard has been applied using the modified retrospective approach. There was no impact to the Company's opening deficit. Prior periods have not been restated.

The adoption of this new Standard has resulted in the Company recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Company has elected not to reassess leases in accordance with IAS 17 and were considered leases according to IFRS 16.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS, being January 1, 2019. At this date, the Company has also elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Note 3 – Significant accounting policies (continued)

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 10%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments disclosed in Note 19 of the Company's December 31, 2018 consolidated financial statements to the lease liabilities recognized at January 1, 2019.

Total operating lease commitments disclosed at December 31, 2018	\$	937,110
Exercised renewal option on location		21,675
Variable lease payments not recognized		(265,971)
Operating lease commitments before discounting		692,814
Discounted using incremental borrowing rate		(103,160)
Total lease liability recognized on transition to IFRS 16	\$	589,654

The application of IFRS 16 required significant judgments and estimations to be made. Areas that require judgment include identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in substance fixed, establishing whether there are multiple leases in an arrangement and for certain leases, determining the stand-alone selling price for lease and non-lease components. Other sources of estimation uncertainty in the application of IFRS 16 include estimating the lease term, determining the appropriate discount rate to apply to lease payments and assessing whether a right-of-use asset is impaired.

Significant accounting policies

The significant accounting policies used in the preparation of these annual consolidated financial statements are described below.

a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

b) Consolidation

The consolidated financial statements of the Company include financial statements of the Company and its wholly owned subsidiaries, 9937340 Canada Inc (dba Involved Medicine), 2563367 Ontario Ltd (dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc (dba Slawner Ortho Ltee) and 9398252 Canada Inc (dba Lift Resource Centre) and its 51% owned subsidiary 10030712 Manitoba Ltd.

Note 3 – Significant accounting policies (continued)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. If accounted for as a business combination, any excess of the cost over the fair values of the identifiable net assets acquired is recognized as goodwill. If accounted for as a purchase of assets, any excess of the cost over fair value of the identifiable net assets is allocated to the assets purchased.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interest. A non-controlling interest is presented as part of equity for the portion of the subsidiary's profit or loss that it not controlled by the Company.

c) Foreign Currency

Functional and presentation currency

Amounts presented in the consolidated financial statements and the notes hereto are in Canadian dollars.

Foreign currency translation

Transactions in currencies other than Canadian dollars are translated at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Exchange gains and losses on foreign currency differences are recognized in the consolidated statement of loss or comprehensive loss in the period incurred.

d) Cash

Cash consists of cash on hand and balances with banks.

e) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". For financial assets, the classification depends on the Company's business model for managing the financial assets and the cash flows based on the terms of the contract.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Note 3 – Significant accounting policies (continued)

Financial assets and liabilities at amortized cost

The Company has the following financial assets and liabilities recognized at amortized cost:

- Cash is initially recognized at fair value and subsequently measured at amortized cost.
- Accounts and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market and held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Any interest income on these assets is recognized using the effective interest rate method. Subsequent to initial recognition, accounts and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.
- The Company's financial liabilities at amortized cost include accounts payable and accrued liabilities, lease liabilities, credit facility with related party, due to related parties and loan payable. Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method and transaction costs incurred are deferred and amortized using the straight-line method over the term of the loan.

Financial liabilities at fair value

Debt facilities that can be converted into a variable number of equity instruments are classified entirely as liabilities.

The Company has elected to use the "fair value option" available under IFRS 9 for its convertible debentures. Under this approach, a contract that contains one or more embedded derivatives that would normally be required to be accounted for separately can instead be accounted for in its entirety at fair value through profit or loss ("FVPL"). As such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The difference between the transaction price and fair value on initial recognition, if any, is amortized over the term of the instrument on a straight-line basis. See Note 17 for further details on the Company's convertible debentures.

The Company also accounts for contingent consideration on business acquisitions using FVPL.

Transaction costs related to financial liabilities classified as FVPL are expensed as incurred. Changes in fair value of financial liabilities at FVPL, including interest, are recognized in profit or loss within finance income or expense in the period in which they arise. The component of fair value changes relating to the Company's own credit risk, if any, is recognized in other comprehensive income (OCI). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realized.

Impairment of financial assets

The Company's accounts and other receivables are subject to the expected credit loss model under IFRS 9 'Financial Instruments'. The Company applies the simplified approach to providing for expected credit losses for its trade receivables.

At each reporting date, the Company assesses whether there are indications that financial assets may be impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, that the loss event has an impact of the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include:

- default or delinquency by a borrower;
- indication that the borrower will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data such as adverse changes in the payment status of the borrower.

Note 3 – Significant accounting policies (continued)

f) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and conditions necessary for the property or equipment to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows:

• Computer equipment/software	3 years
• Furniture and fixtures	5 years
• Medical equipment and machinery	5 years
• Leasehold improvements	Term of the lease
• Right-of-use assets	Term of the lease

Depreciation commences when the assets is available for use. The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjustments are accounted for prospectively, if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

g) Revenue

Revenue arises mainly from providing medical services to patients, collaboration with third parties for educational services and the sale of products.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract with customer and/or patients;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

For revenue from services delivered to patients, the Company recognizes revenue once the services have been rendered, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

For revenues derived from collaborations with third parties for delivery of educational services to patients, the Company recognizes revenue based on contracted terms with third parties once orders are received and fulfilled by the third parties. Contracted terms do not include the provision of post-service obligations.

For revenues from the sale products, which may include fitting and customization, the Company recognizes revenue when the Company transfers control of the products to the customer, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

Revenue comprises the fair value of the consideration received or receivable for services or products delivered. The Company does not have any contracts where the period between the provision of the services and/or products to the patients and/or customers and payment by the patients/customers or third-party payer exceeds one year. As such, the Company does not adjust any of the consideration received or receivable for the time value of money. Clients may pay in advance of using the service or receiving the products in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

Note 3 – Significant accounting policies (continued)

h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is measured as a sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interest issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Goodwill is carried at cost less accumulated impairment losses.

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

• Customer list	5 years
• Brand	25 years
• Group billing number	Indefinite useful life

Intangible assets with finite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of amortization is reviewed at least annually.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

j) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs of inventory include costs of purchase, costs of conversion, and any other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include direct costs (materials) and indirect costs (variable production overheads). Raw materials are assigned costs by using a weighted average cost formula and work-in-progress, and finished goods are assigned costs by using a weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

k) Research and development costs

Research costs are charged as an expense in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization.

Note 3 – Significant accounting policies (continued)

I) Leases

Lease policy applicable from January 1, 2019

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and/or; (iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company presents right-of-use assets in property and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability may be compromised of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price under purchase option that the Company is reasonably certain to exercise; (v) lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and (vi) penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of loss. Lease payments for short-term leases and for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

Accounting policy applicable before January 1, 2019

Operating lease payments were recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Note 3 – Significant accounting policies (continued)

At the commencement of the lease, the Company recognized finance leases as an asset acquisition and an assumption of an obligation in the consolidated balance sheet at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments was the interest rate implicit in the lease, if this is practicable to determine; if not, the incremental borrowing rate was used. The interest element of the lease payment was recognized as finance cost over the lease term to achieve a constant periodic rate of interest on the remaining balance of the liability.

m) Cost of sales

Cost of sales includes the cost of physician consultants, medical supplies, products, raw materials, license fees, and shipping.

n) Share-based compensation

Share-based payments are accounted for using the fair value method.

The Company issues equity-settled share-based awards to eligible employees, directors, officers, and consultants. The fair value of options granted to employees, officers and directors are determined using a Black-Scholes option pricing model at the grant date and expensed over the vesting period with a corresponding increase in contributed surplus. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Contributed surplus related to stock options which expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statements of financial position.

o) Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current taxes

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that is no longer probable that they can be utilized. Deferred income tax assets and liabilities are presented as non-current and are determined on a non-discounted basis.

Note 3 – Significant accounting policies (continued)

p) Impairment of non-financial assets and goodwill

Non-financial assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill and intangible assets with an indefinite useful life, the Company tests for impairment at least annually as required under IAS 36. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts where the recoverable amount of an asset cannot be determined, the assets are grouped at the lowest levels for which there are separately identifiable cash generating units (“CGUs”).

The CGUs are the smallest identifiable group of assets that generate cash flows independent of cash flows of other groups of assets. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset’s fair value less costs of disposal and 2) value in use. Value in use of each CGU is determined using estimated discounted cash flows, which include estimates of future cash flows and determination of the discount rate. The fair value less costs of disposal is based on available data from sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Impairment loss is recorded in the period when it is determined that the carrying amount of the asset, or its CGU, may not be recoverable. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, at the end of each reporting period, the Company makes an assessment as to whether there is any indication that previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset’s, or its CGU’s recoverable amount, and compares it to the carrying amount, net of accumulated depreciation and amortization that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

q) Fair value measurement

The Company classifies its convertible debentures at FVPL.

The Company determines the fair value of items held at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Price in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Note 3 – Significant accounting policies (continued)

r) Provisions and contingencies

Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at managements' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

s) Earnings per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share reflects the potential dilution that would occur if there were stock options, warrants, or other convertible securities that were exercised or converted. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding arising from the exercise or conversion of potentially dilutive stock options, warrants, or other convertible securities outstanding during the year.

The Company uses the treasury method for outstanding options which assumes that the proceeds that could be obtained upon exercise of options are used to purchase the Company's common shares at the fair market value or average market price during the year. Anti-dilutive amounts are not considered in computing diluted earnings (loss) per share.

t) Share capital

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material effect on the Company in the current or future reporting periods.

Note 4 – Critical accounting estimates and judgments

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

Note 4 – Critical accounting estimates and judgments (continued)

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income tax

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

f) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

g) Share-based compensation

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair value at the date of grant. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in assumptions can significantly affect the fair value estimate.

Note 4 – Critical accounting estimates and judgments (continued)

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

j) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

k) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses on the adoption of IFRS 9. Actual collectability of customer balances can vary from the Company's estimation.

Note 4 – Critical accounting estimates and judgments (continued)

b) Impairment of non-financial assets

The Company tests property, plant and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property, plant and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances discussed in Note 3(i).

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

Note 5 – Business combinations

Slawner Ortho

On March 11, 2019, the Company incorporated a new entity (9393 1681 Quebec Inc - "Slawner Ortho") and purchased certain assets and assumed certain liabilities of insolvent J. Slawner Ortho from the court appointed receiver. Slawner Ortho specializes in custom orthotics, prosthetics and home health care products. The acquisition was completed to add comprehensive pain management products to the Company's current complement of services. Consideration for the purchase consisted of a deposit of \$25,000 paid on March 5, 2019 and payment of \$349,441 on March 18, 2019.

The total consideration transferred, and the fair value of identifiable assets acquired and liabilities assumed and gain on purchase recognized, as a result of the acquisition, are as follows:

Fair value of consideration transferred	
Cash	\$ 374,441
	\$ 374,441
Fair value of identifiable assets acquired	
Inventory	\$ 589,508
Prepays	35,185
Equipment	57,357
Right-of-use assets	2,136,724
Brand	57,378
	2,876,152
Less fair value of liabilities assumed	
Lease liabilities	2,136,724
Employee liability	77,771
Net identifiable assets acquired and liabilities assumed	661,657
Gain on purchase of Slawner Ortho	
	287,216
	\$ 374,441

The Clinic Network Canada Inc.
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Note 5 – Business combinations (continued)

As J. Slawner Ortho was being sold due to bankruptcy, the Company was able to purchase certain assets and assume certain liabilities of J. Slawner Ortho for less than fair value resulting in a gain on purchase of \$287,216. The total acquisition costs related to this transaction were \$144,308 and are included in professional and consulting fees within selling, general and administrative expenses.

Since date of acquisition, the revenues from Slawner Ortho were \$2,141,628 and the net loss (excluding acquisition costs) was \$337,727. If the assets were acquired January 1, 2019, the consolidated revenues would have totaled \$7,072,554.

On May 1, 2019, Slawner Ortho purchased accounts receivable from the receiver at the bargain price of \$52,164. The fair value of the purchased accounts receivable was \$60,048, resulting in a gain on purchase of \$7,884. The gross contractual amount of the purchased receivables was \$140,626 the Company's estimate of the contractual cash flows not expected to be collected at the acquisition date was \$80,578.

2563367 Ontario Ltd o/a Silver Medical Group Centre for Pain Care

Effective January 1, 2019, the Company acquired all the issued and outstanding shares of Silver Medical Group Centre for Pain Care ("Silver"). Silver operates an out of hospital chronic pain clinic. The acquisition was completed to add comprehensive pain management competencies to the Company's current complement of services. Consideration for the acquisition of Silver was a cash payment of \$3,000,000. The total consideration transferred, and the fair value of identifiable assets acquired and liabilities assumed and goodwill recognized, as a result of the acquisition, are as follows:

Fair value of consideration transferred	
Cash	\$ 3,000,000
Cash acquired	(65,701)
	\$ 2,934,299
Fair value of identifiable assets acquired	
Accounts receivable	\$ 112,931
Inventory	26,200
Prepays	7,329
Equipment	308,375
Group billing number	180,761
Brand	565,438
	1,201,034
Less fair value of liabilities assumed	
Payables and accruals	81,853
Loan payable	3,593
Deferred tax liability	181,988
Net identifiable assets acquired and liabilities assumed	933,600
Goodwill	2,000,699
	\$ 2,934,299

The goodwill recognized on the acquisition of Silver represented expected expanded operations and included intangible assets that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes. The total acquisition costs related to this transaction were \$31,900 and is included in professional and consulting fees within selling, general and administrative expenses.

Since date of acquisition, the revenues from Silver were \$3,738,226 and the net loss (excluding acquisition costs) was \$853,056.

The Clinic Network Canada Inc.
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Note 5 – Business combinations (continued)

9937340 Canada Inc o/a Involved Medicine

In December of 2018, the Company completed the acquisition of all the issued and outstanding shares of 9937340 Canada Inc o/a Involved Medicine that owned and operated an interdisciplinary healthcare clinic in Ontario for total consideration of \$600,000 (consisting of the payment of \$180,000 in cash and issuance of 420,000 Class A shares of Cura-Can). \$50,000 cash was paid upon closing, with an additional \$130,000 paid upon meeting final conditions in the purchase agreement. The acquisition was completed to add comprehensive pain management competencies to the Company's current complement of services.

Involved Medicine's revenue and net income from the date of acquisition to December 31, 2018 was \$96,800 and \$36,031 respectively. Due to lack of IFRS specific data prior to the acquisition of Involved Medicine, pro-forma profit or loss of the combined entity for any periods prior to acquisition cannot be determined reliably.

The total consideration transferred, and the fair value of identifiable assets acquired, liabilities assumed, and goodwill recognized, as a result of the acquisition, are as follows:

Fair value of consideration transferred		
Cash	\$	180,000
Common shares of Cura-Can Health Corp.		420,000
	\$	600,000
Fair value of identifiable assets acquired		
Accounts receivable	\$	61,278
Prepays		10,425
Equipment		9,747
Group billing number		141,212
Brand		148,745
		371,407
Less fair value of liabilities assumed		
Bank indebtedness		5,237
Payables and accruals		120,674
Deferred tax liability		65,218
Net identifiable assets acquired and liabilities assumed		180,278
Goodwill		419,722
	\$	600,000

The goodwill recognized on the acquisition of Involved Medicine represented expected expanded operations and included intangible assets that do not qualify for separate recognition. The goodwill recognized is not deductible for income tax purposes.

Note 6 – Accounts and other receivables

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 178,354	\$ 318,821
HST/GST recoverable	234,757	39,672
Other	121,068	43,452
	\$ 534,179	\$ 401,945

In February 2019, the Company transferred accounts receivable balances of \$126,097 to Cura-Can Health Corp., a related party, to partially repay its indebtedness owed by Company.

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Note 7 – Property and equipment

Cost	Leasehold improvement	Computer equipment/ software	Medical equipment and machinery	Furniture and fixtures	Construction in progress	Right-of- use assets	Total
Balance at December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through business combination (Note 5)	-	2,629	7,118	-	-	-	9,747
Additions	-	-	225,047	67,815	13,918	-	306,780
Balance at December 31, 2018	-	2,629	232,165	67,815	13,918	-	316,527
Adjustment to transition to IFRS 16	-	-	-	-	-	593,409	593,409
Acquired through business combination (Note 5)	105,000	34,530	184,633	41,569	-	2,136,724	2,502,456
Additions	42,976	29,173	36,876	2,210	33,250	1,522,222	1,666,707
Balance at December 31, 2019	147,976	66,332	453,674	111,594	47,168	4,252,355	5,079,099
Accumulated Depreciation							
Balance at December 31, 2017	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-	-	-
Depreciation for the year	20,708	15,171	83,541	20,943	-	624,180	764,543
Balance at December 31, 2019	20,708	15,171	83,541	20,943	-	624,180	764,543
Net Book Value							
As at December 31, 2018	\$ -	\$ 2,629	\$ 232,165	\$ 67,815	\$ 13,918	-	\$ 316,527
As at December 31, 2019	\$ 127,268	\$ 50,699	\$ 372,077	\$ 90,651	\$ 47,168	\$ 3,628,175	\$ 4,314,556

As a result of the decline in the timing of expected future cash flows in each of the operating pain clinics, the Company has identified indicators of impairment as of December 31, 2019 for property and equipment. The impairment was calculated in accordance with the Company's accounting policies, on the basis of fair value less cost of disposal. The calculation of the fair value less cost of disposal of the related CGU was on the same key assumptions utilized in the intangible asset and goodwill impairment analysis per Note 8 and Note 9.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 8 – Intangible assets

	Group billing number	Brand	Customer List	Patents and copyrights	Total
Gross Carrying Amount					
Balance at December 31, 2017	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Acquired through business combination (Note 5)	141,212	148,745	-	-	289,957
Additions	-	-	-	400,000	400,000
Balance at December 31, 2018	141,212	148,745	-	500,000	789,957
Acquired through business combination (Note 5)	180,761	622,816	-	-	803,577
Additions	-	-	5,000	-	5,000
Balance at December 31, 2019	321,973	771,561	5,000	500,000	1,598,534
Accumulated Amortization and Impairment					
Balance at December 31, 2017	-	-	-	833	833
Additions	-	-	-	7,194	7,194
Impairment	-	-	-	491,973	491,973
Balance at December 31, 2018	-	-	-	500,000	500,000
Additions	-	32,603	-	-	32,603
Impairment	141,212	142,795	-	-	284,007
Balance at December 31, 2019	141,212	175,398	-	-	816,610
Net Book Value					
As at December 31, 2018	\$ 141,212	\$ 148,745	\$ -	\$ -	\$ 289,957
As at December 31, 2019	\$ 180,761	\$ 596,163	\$ 5,000	\$ -	\$ 781,924

Group billing number of \$180,761 and brand of \$565,438 arose from the acquisition of Silver in 2019 and have been allocated to that CGU (Note 5). Brand of \$57,378 arose from the acquisition of Slawner Ortho in 2019 and has been allocated to that CGU (Note 5). Group billing number of \$141,212 and brand of \$148,745 arose from the acquisition of Involved Medicine in 2018 and have been allocated to that CGU (Note 5).

Management believes that the methodology used to test impairment of intangibles, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether intangible assets are impaired are outside management's control and involves inherent uncertainty. Therefore, actual results could differ from those estimated. It is reasonably likely that assumptions and estimates will change in future periods.

December 31, 2019

In fiscal 2019, due to loss in key personnel, the Company suspended the operations of Involved Medicine on an indefinite basis. As a result, the recoverable amount of the Involved Medicine CGU was less than the carrying amount and the related group billing number and brand of \$141,212 and \$142,795 respectively were considered impaired and expensed as an impairment charge.

For the remaining CGUs and related intangible assets, as at December 31, 2019, the Company performed its impairment test in accordance with its policy in Note 3. Based on the results of the tests, the Company has recognized an impairment of \$nil in its intangible assets at December 31, 2019 because the carrying amount of the intangible assets exceeded at their recoverable amount.

The determination of recoverability is based on an estimate of discounted cash flows, using the value in use method, and the measurement of impairment loss is based on the amount that the carrying amount of an intangible asset exceeds its recoverable amount. As part of the impairment test, the Company updates its future cash flow assumptions and estimates, including factors such as current and future contracts, margins, market conditions and the useful lives of the assets.

Note 8 – Intangible assets (continued)

The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2019 impairment test, the Company discounted its cash flows using after-tax discount rates for each CGU as follows: Silver of 15% and Slawner Ortho of 20%.

The impairment tests are most sensitive to the following assumptions:

- i. The discount rate; and
- ii. Revenue growth rate estimates based on actual experience and market analysis

The Company performed sensitivity analysis on the revenue growth rate and the discount rate which are the key assumptions that impact the fair value calculations.

Silver CGU

If the discount rate were to exceed 41% for the CGU or if the planned revenue growth were to decrease by 31% annually for the CGU, the CGU's carrying amount would exceed its recoverable amount in excess of the goodwill balance and the Company would record an impairment charge on its intangible assets.

Slawner CGU

If the discount rate were to exceed 20% for the CGU or if the planned revenue growth were to decrease by 1.0% annually for the CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge on its intangible assets.

December 31, 2018

In 2017, the Company entered into an agreement with Pure Clinic Inc. ("Pure") which operated medicinal cannabis clinics. Under the agreement, the Company loaned Pure \$200,000 at an interest rate of Alberta Treasury Branch prime rate plus 0.5%, compounding annually, in exchange for an option to acquire all or a portion of the issued and outstanding shares of Pure. Additionally, the Company entered into a licensing agreement with Pure under which the Company paid a \$100,000 upfront fee and agreed to pay monthly fee equal to the operating expenses of Pure. Under the license, the Company gained access to Pure's systems, including documentation, data, know-how, expertise, technologies, software, methods, procedures, processes, trade secrets, plans and other information associated with the operations of Pure.

On September 20, 2018, the Company exercised its option to purchase the assets of Pure, including leased equipment, by providing 400,000 units consisting of one common share and one warrant to purchase common shares at \$0.50 on or before September 20, 2020 (Note 18(g)). Concurrently with the purchase of the assets, the Company bought out the equipment leases with the payment of \$289,000. The Company assessed the loan to Pure of \$200,000 plus accrued and unpaid interest and determined it was uncollectible and has fully provisioned as at December 31, 2018.

In fiscal 2018, the Company suspended the operations of Pure clinic on an indefinite basis. As at December 31, 2018, the carrying amount of the Pure CGU exceeded its recoverable amount. Accordingly, the patents and copyrights were considered impaired and \$491,973 of the related intangibles was expensed as an impairment charge.

The Clinic Network Canada Inc.
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Note 9 - Goodwill

	2019	2018
Balance at January 1,	\$ 419,722	\$ -
Acquired through business combination (Note 5)	2,000,699	419,722
Impairment	(419,722)	-
Balance at December 31,	<u>\$ 2,000,699</u>	<u>\$ 419,722</u>

Goodwill of \$2,000,699 arose from the acquisition of Silver in 2019 and has been allocated to that CGU (Note 5). Goodwill of \$419,722 was recognized as a part of accounting for the acquisition of Involved Medicine in 2018 and has been allocated to that CGU (Note 5).

December 31, 2019

During the year ending December 31, 2019, as a result of the loss of key personnel and change in strategic direction, the Company completed a goodwill impairment test and concluded that the recoverable amount was less than the carrying amount for the Involved Medicine GGU, resulting in goodwill impairment of \$419,722.

At December 31, 2019, the Company performed its annual goodwill impairment test in accordance with its policy as described in Note 3. Based on the results of the test, the Company concluded that the recoverable amount of the Silver CGU was not less than its carrying amount which indicated goodwill was not impaired.

The recoverable amount of goodwill was determined based on fair value less costs of disposal, covering a five-year forecast, based on estimated growth rates for revenue and financial budgets and forecasts approved by management. The fair value measurement is designated Level 3 on the fair value hierarchy.

The Company estimated fair value using market information and discounted after-tax cash flow projection, which is known as the income approach. The income approach used the CGU's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions.

The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2019 impairment test, the Company discounted its CGU's cash flows using after-tax discount rate of 15%. To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period.

Management's key assumptions to cash flow forecasting include greater than 20% annual increases in revenue from anticipated additional service to be offered, growth in the number of physicians, and gross margins based on the industry segment that the segment operates in. The revenue growth rates and discount rate are the key assumptions in the calculation of value in use.

If the discount rate were to exceed 21.0% for the CGU or if the planned revenue growth were to decrease by 14.5% annually for the Silver CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge.

December 31, 2018

At December 31, 2018, the Company performed its annual goodwill impairment test in accordance with its policy. Based on the results of the test, the Company concluded that the recoverable amount of its Involved Medicine CGU was not less than the carrying amount which indicated goodwill was not impaired.

For its December 31, 2018 impairment test, the Company discounted its CGU's cash flows using after-tax discount rate. The implied pre-tax discount rate is 13.65%.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 9 – Goodwill (continued)

The recoverable amount of the CGU exceeded its carrying amount. The Company believes the recoverable amount is most sensitive to the risk-adjusted discount rate and the planned growth in revenue. If the risk adjusted discount rate were to exceed 32.0% for the CGU, or the planned revenue growth were to decrease by 50.0% for the CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge.

Note 10 – Inventory

Inventory is comprised of the following:

	December 31, 2019	December 31, 2018
Raw materials	\$ 35,263	\$ -
Finished goods	266,810	-
	<u>\$ 302,073</u>	<u>\$ -</u>

Inventories expensed to cost of goods sold during the year ended December 31, 2019 are \$910,052.

Note 11 – Accounts payable and accrued liabilities

	December 31, 2019	December 31, 2018
Accounts payable	\$ 464,816	\$ 63,578
Other accrued liabilities	318,869	233,129
Employee liabilities	264,165	222,582
	<u>\$ 1,047,850</u>	<u>\$ 519,289</u>

Note 12 – Deferred revenue

	2019	2018
Balance, beginning of year, January 1	\$ 118,497	\$ 74,943
Prepayment – funds received	-	230,090
Revenue recognized - cannabis education services	<u>(118,497)</u>	<u>(186,536)</u>
Balance, end of year, December 31	<u>\$ -</u>	<u>\$ 118,497</u>

The Clinic Network Canada Inc.
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Note 13 – Lease liability

	December 31, 2019	December 31, 2018
Current	\$ 553,734	\$ -
Non-current	<u>3,234,930</u>	<u>-</u>
	<u>\$ 3,788,664</u>	<u>\$ -</u>

The Company's lease liabilities are for real estate, including the Company's head office and clinic locations, with lease terms typically ranging from 1 to 10 years. In determining the lease term, the Company assesses whether it is reasonably certain it will exercise the lease extension options or not exercise a termination option. Future undiscounted cash out flows for lease liabilities are disclosed as part of total contractual liabilities in Note 21.

For the year ended December 31, 2019, the Company recognized \$624,180 of depreciation expense (Note 7) and the total cash outflow for leases was \$809,437.

Excluded from the calculation of the lease liabilities are variable lease payments that do not depend on an index or a rate, which will include utilities, common area maintenance costs, property tax or any additional service payments. Also excluded from lease liabilities are short-term and low-value assets. The expense related to payments not included in the measurement of lease liabilities is as follows:

	2019
Short-term leases	\$ -
Leases of low value assets	1,193
Variable lease payments	<u>359,876</u>
	<u>\$ 361,069</u>

Note 14 – Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by its parent, key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Due to (from) related parties

Related party balance consists of amounts owing from related parties:

	December 31, 2019	December 31, 2018
Due from Natural Health Services, a subsidiary of Cura-Can	\$ 70,000	-

Related party balance consists of amounts owing to related parties:

	December 31, 2019	December 31, 2018
Due to Cura-Can	\$ 6,591,885	\$ 3,114,010
Due to key management	<u>64,419</u>	<u>54,054</u>
	<u>\$ 6,656,304</u>	<u>\$ 3,168,064</u>

The above amounts are non-interest bearing and have no set repayment terms. In addition to the above, the Company's credit facility is due to Cura-Can (Note 15).

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Note 14 – Related party transactions (continued)

Other related party transactions

The Company has issued a guarantee to a company that is a significant shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can (Note 15). At December 31, 2019, the maximum amount the Company is exposed to under this guarantee is approximately \$12.7 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. In addition, the Company has provided a general security agreement as collateral for the loan. The credit facility matures March 1, 2021.

Subsequent to year-end, Cura-Can amended the terms of its credit facility and the maximum amount the Company is exposed to increased (Note 26).

In February 2019, the Company transferred accounts receivable balances of \$129,170 to Cura-Can to partially repay its indebtedness owed by the Company.

Other related party transactions

In November 2019, Cura-Can entered into a secured convertible promissory note with a Cura-Can shareholder in the principal amount of \$1,150,000. The secured note bears interest at 10% and matures August 5, 2020, after which time the amount outstanding becomes due on demand. The Cura-Can shareholder may elect to convert the indebtedness into common shares of the Company if the right to convert is exercised immediately prior to a liquidity event. The conversion price is 90% of the market price established through such liquidity event.

In December 2019, Cura-Can entered into a business combination in which consideration transferred included common shares of Cura-Can that may be exchanged into common shares of the Company, at the Vendor's option, when a liquidity event occurs. The number of common shares of the Company that may be issued in exchange for Cura-Can shares is based on the percentage of Cura-Can shares held by the Vendor at the date of notice of the liquidity event.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the year are as follows:

	December 31, 2019	December 31, 2018
Consulting fees	\$ 30,000	\$ 120,000
Compensation	908,770	-
Share-based compensation	516,176	-
	<u>\$ 1,454,946</u>	<u>\$ 120,000</u>

The Clinic Network Canada Inc.
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Note 15 – Credit facility with related party

In March of 2019, the Company entered into a debt facility agreement with its parent company, Cura-Can. The facility is unsecured and carries a coupon of 10%, compounded monthly. The credit facility is being used to fund the operations of the Company. The amount owing as of December 31, 2019 is as follows:

	December 31, 2019	December 31, 2018
Principal	\$ 5,122,000	\$ -
Interest	215,528	-
	<u>\$ 5,337,528</u>	<u>\$ -</u>

The credit facility matures March 1, 2021. The facility may be repaid at any time at the option of the Company. If not repaid prior to February 28, 2020, a repayment fee is added to the principal balance outstanding. The repayment fee is equal to one half of the outstanding principal and accrued interest at February 28, 2020, plus the interest that would have accrued if the repayment fee had been applied at the commencement of the loan. At December 31, 2019, the Company expected to repay the credit facility prior to February 28, 2020. As a result, the repayment fee has not been included in the credit facility's amortized cost and the credit facility is presented in current liabilities.

Subsequent to year-end, the repayment fee became effective (Note 26).

Note 16 – Income taxes

The Company's current income tax recovery for the year ended December 31, 2019 is \$nil (2018 - \$nil).

a) Income tax expense (recovery)

	2019	2018
Current tax expense (recovery)		
Current period	\$ -	\$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(1,593,416)	(375,157)
Change in unrecognized temporary differences	1,336,641	384,725
Total income tax (recovery) expense	<u>\$ (256,775)</u>	<u>\$ 9,568</u>

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	2019	2018
Loss before income taxes	\$ (6,915,219)	\$ (1,881,383)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	<u>(1,832,533)</u>	<u>(498,566)</u>
Increase resulting from:		
Non-deductible amounts	110,246	109,493
Change in tax rates	114,778	13,916
Change in unrecognized deductible temporary differences	1,336,641	384,725
Prior period tax adjustments	14,093	-
Income tax (recovery) expense	<u>\$ (256,775)</u>	<u>\$ 9,568</u>

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 16 – Income taxes (continued)

b) Recognized deferred tax assets and liabilities

Deferred tax assets attributable to the following:	2019	2018
Non-capital loss carry-forwards	\$ 198,377	\$ 2,079
Lease liability	1,003,996	-
Other	995	-
Deferred tax assets	1,203,368	2,079
Set-off of tax	(1,203,368)	(2,079)
Net deferred tax asset	\$ -	\$ -

Deferred tax liabilities attributable to the following:	2019	2018
Property and equipment	\$ (984,164)	\$ (27)
Convertible debentures	(5,085)	-
Other	(7,466)	-
Intangible assets	(206,653)	(76,839)
Deferred tax liabilities	(1,203,368)	(76,866)
Set-off of tax	1,203,368	2,079
Net deferred tax liability	\$ -	\$ (74,787)

c) Movement in temporary differences in the year

Temporary differences	Balance December 31, 2017	Recognized in profit and (loss)	Acquired in a business combination	Balance December 31, 2018
Non-capital loss carry-forwards	\$ 505	\$ (9,419)	\$ 10,993	\$ 2,079
Property and equipment	(174)	(480)	627	(27)
Intangible assets	(331)	331	(76,838)	(76,838)
Totals	\$ -	\$ (9,568)	\$ (65,218)	\$ (74,786)

Temporary differences	Balance December 31, 2018	Recognized in profit and (loss)	Acquired in a business combination	Balance December 31, 2019
Non-capital loss carry-forwards	\$ 2,079	\$ 145,829	\$ 50,469	\$ 198,377
Lease liability	-	437,764	566,232	1,003,996
Other	-	995	(7,466)	(6,471)
Convertible debentures	-	(5,085)	-	(5,085)
Property and equipment	(27)	(405,862)	(578,275)	(984,164)
Intangible assets	(76,838)	83,133	(212,948)	(206,653)
Totals	\$ (74,786)	\$ 256,774	\$ (181,988)	\$ -

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Note 16 – Income taxes (continued)

d) Unrecognized deferred tax assets

The Company has \$9,575,639 (2018 - \$2,084,896) in non-capital loss carry-forwards. The non-capital loss carry-forwards expire in 2037. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

Deferred tax assets have not been recognized in respect of the following items:

As at December 31	2019	2018
Deductible temporary differences	\$ 1,216,835	\$ 1,445,027
Tax losses	8,727,046	2,077,051
	<u>\$ 10,043,881</u>	<u>\$ 3,522,078</u>

Note 17 – Share capital

The Company is a wholly owned subsidiary of Cura-Can Health Corp.

a) Common shares

Authorized – The Company has authorized an unlimited number of Class A shares, an unlimited number of Class B shares, an unlimited number of Class C Preferred shares issuable in series and an unlimited number of Class D shares, issuable in series. There are 3224 Class A common shares issued and outstanding. All 3224 Class A common shares are held by Cura-Can Health Corp.

b) Stock options and share-based payments

There was a stock based-compensation arrangement in place for directors, officers, employees and consultants for the year ended December 31, 2018 and the period ended December 31, 2017, however, there were no instruments granted or approved during the year ended December 31, 2018. In 2019, certain management members of the Company were granted stocks options under its parent company's plan.

On March 27, 2019, Cura-Can Health Corp., the parent company of TCNC, granted certain employees of TCNC 3,000,000 options. Each option allows the holder to acquire one common share in Cura-Can Health Corp. or an eligible subsidiary for \$1.00 per share. The options vest over five years and expire on March 27, 2026.

The Company accounts for options granted under these plans in accordance with the fair value method. Fair values are determined using the Black-Scholes option pricing model. The application of this fair value-based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock, life of the options and forfeiture rate. The risk-free rate used in 2019 was 1%, the average expected volatility was 76.21% based on historical trading activity of comparative companies currently trading on the TSX, the expected life of the options was 7 years, the forfeiture rate was assumed to be 0%, the underlying share price was assumed to be \$1.00 on the grant date, the exercise price was set at \$1.00 and the expected dividends were nil. The grant date fair value of the options granted in the year ended December 31, 2019 was \$0.62 per option.

The share-based payments expense recorded during the current year relating to options granted in 2019 was \$516,176.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Note 17 – Share capital (continued)

A summary of the status of the Company's stock options at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of year	-	-	-	-
Granted	3,000,000	1.00	-	-
Exercised	-	-	-	-
Outstanding at end of year	3,000,000	1.00	-	-
Exercisable at end of year	-	-	-	-

c) Convertible debentures

During the year ended December 31, 2019, the Company issued \$50,000 and \$100,000 of unsecured convertible debentures, subordinated to senior debt, that mature on August 2021 and October 2021, respectively.

The debentures bear interest at 10% per annum with interest accrued due at the end of the term. Pursuant to the terms of the debentures, the Company will have the option to satisfy the principal and interest payments through the issuance of common shares.

The debentures are convertible into common shares at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a qualified financing or liquidity event. A liquidity event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the board of directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

The transaction price on initial recognition was determined not to be the best evidence of fair value because the fair value of the host debt instrument together with the embedded derivative exceeded the transaction price. The difference on initial recognition of \$20,000 is amortized on a straight-line basis over the term of the debentures and included in unrealized fair value (gains) losses within finance expense. The unamortized fair value difference at December 31, 2019 is \$17,565.

For the year ended December 31, 2019, the Company recorded \$6,620 in fair value adjustments related to the debentures. As at December 31, 2019, the debentures had a notional value of \$153,692, consisting of \$150,000 in principal and \$3,692 in accrued interest. As at December 31, 2019, the debentures had a fair value of \$156,620.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Note 18 – Loss per share

The following table sets forth the computation of basic and diluted loss per share:

As at December 31	2019	2018
Net loss	\$ (6,578,377)	\$ (1,890,951)
Weighted average number of shares outstanding – basic and diluted	3,224	3,224
Basic and diluted loss per share	\$ (2,040.44)	\$ (586.52)

For the periods presented, the diluted loss per share was the same as basic loss per share as the inclusion of convertible debentures and stock options would have been anti-dilutive. Accordingly, the diluted loss per share for the period was calculated using the basic weighted average number of common shares outstanding.

Note 19 – Revenue

The Company's revenue disaggregated by product type is as follows:

	2019		2018	
Provincially insured physician services	\$ 3,914,001	60%	\$ 89,786	16%
Products and provincially non-insured physician services	2,357,229	36%	7,015	1%
Cannabis education	294,208	4%	454,133	83%
Total revenue	<u>\$ 6,565,438</u>	<u>100%</u>	<u>\$ 550,934</u>	<u>100%</u>

Note 20 – Selling, general and administrative expenses

The following table shows the details of selling, general and administrative expenses for the year ended December 31, 2019 and 2018.

	2019	2018
Wages and benefits	\$ 4,356,551	\$ 767,393
Professional and consulting fees	1,134,580	181,907
Rent	738,038	159,365
Marketing	241,904	135,710
Office expenses	535,892	82,923
Depreciation	764,543	-
	<u>\$ 7,771,508</u>	<u>\$ 1,327,298</u>

Note 21 – Financial instruments

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities, amounts due to related parties, loan payable and credit facility with related party approximates fair value due to the short-term nature.

The Company does not have any financial assets or liabilities measured at fair value on a recurring basis within Level 1 or 2 of the fair value hierarchy. The fair value of the convertible debentures is classified within Level 3. There were no transfers between levels of the fair value hierarchy in 2019 or 2018.

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Note 21 – Financial instruments (continued)

a) Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables receivable. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. In 2018, the Company has recorded write offs of \$nil trade and other receivables; \$259,500 of loan receivable based on the likelihood of collection. In 2019, the Company had write offs of \$nil trade and other receivables and \$nil of loan receivables.

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at December 31, 2019 of \$534,179 (2018 - \$401,945). The Company's allowance for doubtful accounts as at December 31, 2019 is \$90,578 (2018 - \$nil). As at December 31, 2019 the percentages of past due trade accounts receivable were as follows: 8.5% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. As at December 31, 2019, there was one customer that comprised of 60% of consolidated sales (2018 – 16% of revenue from one customer). This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting, including anticipated investing and financing activities. The Company will use internally generated cash flows, current cash balances, additional share issuances, and/or shareholder financing to cover its normal operating and capital expenditures for the next fiscal year.

The Company's contractual liabilities and obligations at December 31, 2019 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	\$ 1,047,850	\$ -	\$ -	\$ 1,047,850
Due to related parties, net	6,656,304	-	-	6,656,304
Credit facility with related party	5,815,645	-	-	5,815,645
Lease liability	863,072	3,059,464	1,180,015	5,102,551
Loan payable	1,079	3,236	-	4,315
Convertible debentures	-	181,500	-	181,500
	<u>\$ 14,383,950</u>	<u>\$ 3,244,200</u>	<u>\$ 1,180,015</u>	<u>\$ 18,808,165</u>

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

The maturity date for the Company's credit facility with related party is March 1, 2021; however, the credit facility has been included in 'due within one year' in the above table because, as at December 31, 2019, the Company expected to repay the credit facility prior to February 28, 2020 (Note 15).

Note 21 – Financial instruments (continued)

The contractual cash flows included in the above table for the Company's convertible debentures represent repayment of principal and interest on maturity as exercise of conversion options is unknown.

c) Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Note 22 – Finance expense

	2019	2018
Interest income on receivable	\$ (3,092)	\$ (9,045)
Interest on credit facility with related party (Note 15)	215,528	-
Interest on lease liability	349,501	-
Interest on loan payable	1,193	14,868
Net change in fair value of convertible debentures (Note 17)	6,620	-
	<u>\$ 569,750</u>	<u>\$ 5,823</u>

Note 23 – Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks. In the management of capital, the Company includes the components of shareholders' deficit and short-term and long-term liabilities, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, subject to availability different sources of funds, the Company may attempt to: issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to any externally imposed capital requirements. The Company does not payout dividends. There were no changes to management's capital management objectives, practices or policies in the year.

Note 24 – Commitments and contingent liabilities

The Company, amongst others are defendants in an action in the Ontario Superior court of Justice. A former employee of the Company is claiming wrongful dismissal and is seeking damages of \$400,000, transfer of 200,000 shares in Cura-Can and an unquantified amount of reimbursement of legal fees. To date, discovery and the exchange of relevant non-privileged documents have not yet taken place. The Company has accrued \$45,000 for any potential claims.

Claims made related to events subsequent to year end:

On January 11, 2021, the Company was served with an action in the Ontario Superior Court of Justice by a former employee. The employee is claiming he was wrongfully dismissed in fiscal 2020 and is seeking damages in the amount of \$600,000 and an unquantified amount of special damages. Management plans to defend itself accordingly. The Company has accrued \$99,000 for any potential claims in fiscal 2020.

Note 24 – Commitments and contingent liabilities (continued)

The Company received letters dated January 11, 2021 addressed to TCNC and Natural Health Services Ltd. (“NHS”), a wholly owned subsidiary of Cura-Can. A landlord for two units under lease by NHS has made a demand for payment of arrears of rent related to fiscal 2020 and 2021 in the amount of \$251,499. The Company had previously signed a Guarantee and Indemnity Agreement to unconditionally guarantee any and all obligations of the tenant (NHS) under the lease agreement. Management is preparing a defence. The Company has accrued \$415,000 for any potential claims under this guarantee.

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

Note 25 – Non-controlling interest

In December of 2018, the Company acquired 51 common shares of 10030712 Manitoba Ltd. (“Manitoba”) upon incorporation for \$0.10 per share for a total of \$5. The jointly established new operating company is a result of an agreement with Chief Peguis Investment Corp. (“Peguis”) and will provide interdisciplinary healthcare at a clinic in Manitoba, Canada. The Agreement is still being finalized. Manitoba is 51% owned by the Company, which did not arise as a result of a business combination, and 49% owned by Peguis, who acquired 49 common shares in December 2018 for \$5.

During the year ended December 31, 2019, the Company and Peguis contributed \$94,674 (2018 – \$154,799) and \$90,956 (2018 - \$148,728), respectively, to Manitoba. The Company’s contributions to Manitoba are eliminated on consolidation. Included in Peguis’ contributions are non-cash transactions of \$nil (2018 - \$148,728).

Non-controlling interest has been recorded for Peguis’ share of Manitoba’s net loss for the year and proportionate investment in Manitoba through capital contributions.

Before intragroup eliminations, Manitoba’s assets and liabilities at December 31, 2019 were \$325,786 and \$26 respectively (2018 - \$303,527 and \$nil, respectively) and its net loss for the year ended December 31, 2019 was \$163,403 (2018 - \$nil). Manitoba’s cash flows for the years ended December 31, 2019 and 2018 were not significant.

Note 26 – Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company’s chief operating decision maker, the Chief Executive Officer. The Company has a single reporting segment which is physician services, cannabis education, and product sales and maintenance relating to pain care management.

Information about geographic areas

The Company’s non-current assets are located in Canada and all of the Company’s revenues from external customers are generated in Canada.

Note 27 – Post reporting date events

Management Agreement with Natural Health Services

As of January 1, 2020, the Company entered into a Management Agreement with Natural Health Services (“NHS”), a subsidiary of Cura-Can, to provide administrative, accounting, financial, project management and evaluation of projects services. The agreement was terminated on November 24, 2020.

National Access Cannabis Medical

On March 6, 2020, the Company acquired certain assets from National Access Cannabis Medical (“NACM”) for the aggregate purchase price of \$1,200,000, including a convertible note of \$200,000 and a maximum earn-out bonus of \$1,000,000. The Company completed the acquisition for the purpose of obtaining the standard operating protocols related to the Medical Cannabis Management System (“MCMS”). MCMS was designed to be implemented in retail pharmacies, with the overarching goals of providing access points for medical cannabis care and enabling pharmacists to offer medical cannabis assessments to appropriate pharmacy patients.

The convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company’s option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no such event occurs prior to maturity, the note shall be paid in cash.

The earn-out bonus of up to \$1,000,000 is determined based on performance in each of the three years after closing and payable in common shares. The contingent payment of \$1,000,000 was recorded at its estimated fair value of \$0. This was determined considering the probability that NACM would earn revenues above the levels that triggers additional payment.

The asset acquired in this transaction did not qualify as a business according to the definition of IFRS 3, *Business Combinations*. Accordingly, it was treated as an acquisition of an asset (MCMS - standard operating procedures) which is a key component necessary to expand the Company’s initiatives with pharmacies. The intangible asset was valued at the consideration paid of \$200,000.

National Access Canada Corporation (“NACC”) and Meta Growth Corp

On June 26, 2020, the Company acquired additional assets and operations from National Access Canada Corporation (“NACC”) and its sole shareholder, Meta Growth Corp., for the aggregate purchase price of \$800,000, including cash of \$500,000 and a maximum earn-out bonus of \$300,000.

The earn-out bonus of up to \$300,000 is determined based on performance in the first 12 months after closing and payable in common shares, if the Company’s shares are listed on a public exchange within 12 months of closing, or cash. The acquisition was considered a business under the definition of IFRS 3, *Business Combinations*. On acquisition, the probability fair value of the contingent consideration was estimated to be \$210,000, based on the Company’s estimate of the performance targets being achieved. The fair value of the consideration transferred \$710,000 (\$500,000 in cash and \$210,000 contingent consideration), was allocated to the fair value of identifiable assets: \$301,166 for the customer list and \$70,751 for the brand value. The remaining \$338,082 was allocated to goodwill.

Note 27 – Post reporting date events (continued)

Nature Medic Inc

On April 28, 2020, the Company entered into a memorandum of understanding (“MOU”) with Nature Medic Inc (“NMI”) in which the Company and NMI entered into an interim service agreement leading to the potential purchase of the assets of NMI.

Under the MOU, NMI assisted the Company in the development of telemedicine and clinic services in Quebec to support and deliver on the Company's national contracts for medical cannabis, including preferred licensed producer relationships. NMI provided the services through its physician, nursing and support staff at its Quebec clinic and conducted telemedicine services. In exchange for services provided, the Company paid \$72,000 for NMI's operating expenses and received all patient and licensed seller revenue associated with the services.

On August 31, 2020, the Company acquired the assets of NMI for the purchase price of \$400,000, including contingent consideration of \$50,000. Consideration transferred included cash of \$100,000 and an unsecured non-interest bearing 12-month convertible promissory note.

The acquisition was considered a business under the definition of IFRS 3, *Business Combinations*. The fair value of the consideration transferred \$336,111 (\$100,000 in cash and \$236,111 deferred acquisition cost) was allocated to the fair value of identifiable assets consisting of \$111,065 for the brand value, \$80,819 of right-of-use asset, offset by the related \$80,819 lease liability. The remaining \$225,046 was allocated to goodwill.

Natural Health Services Ltd.

On November 24, 2020, TCNC purchased specific assets of Natural Health Services Ltd. (“NHS”), a wholly owned subsidiary of Cura-Can, in exchange for a non-interest-bearing demand promissory note for an amount equal to \$215,330. Based on a preliminary analysis by management, the identified assets acquired are primarily intangibles and shares in the capital of 1964433 Alberta Ltd.

Credit facility with related party

The Company's credit facility with related party was not repaid prior to February 28, 2020. As a result, a repayment fee equal to \$3,198,000 was added to the principal balance of the credit facility as at February 29, 2020. The repayment fee will be recognized in profit or loss in 2020. Subsequent to December 31, 2019, the Company drew an additional \$880,000 of financing on its credit facility with a related party to fund the operating losses of the Company and to support expansion of the operations.

Senior secured notes

Subsequent to year-end, the Company entered into agreements for the issuance of \$660,000 (\$600,000 net of loan fees) in senior secured notes (the “Series I Notes”), including \$440,000 with related parties. In October 2020, the Company amended the agreement and issued an additional \$302,500 (\$275,000 net of loan fees) in senior secured notes (the “Series II Notes”), including \$185,625 with related parties.

The Notes bear coupon interest at a rate of 20% per annum, payable in arrears on maturity and monthly thereafter. In addition, an exit fee equal to 5% of the principal and interest outstanding is payable at the earlier of the maturity date or date of repayment.

The Series I Notes mature at dates ranging from April 15 - June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity, the Notes are due on demand. The Notes may be repaid within 90 days of issuance subject to either: (a) the consent of two-thirds of the note holders, or (b) payment of the principal outstanding plus the equivalent of three months interest and the exit fee. After this time, the Notes may be repaid at the option of the Company. The Series II Notes must be repaid and fully satisfied prior to any prepayment or repayment of the Series I Notes.

Note 27 – Post reporting date events (continued)

Senior secured notes (continued)

The Notes are secured by a general security agreement and rank senior to the Company's guarantee of its parent company debt. On December 31, 2020, the Company paid \$261,250 in principal and \$22,833 in interest and exit fees to certain holders of the Series II Notes.

Guarantees

Subsequent to year-end, the Company's parent (Cura-Can) amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As a result, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. The facility matures March 1, 2021.

Convertible Promissory Note Assignment

Cura-Can entered into a Secured Convertible Promissory Note ("Hew Note") dated November 5, 2019 for a principal amount of \$1,150,000 with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can's obligations under the Hew Note for principal payments of \$1,150,00 and \$140,687 in accrued interest in exchange for a reduction of TCNC's amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note is convertible into Class A Common Shares of TCNC at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to liquidation event, qualified financing or change of control.

COVID -19

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Although the duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, the Company was forced to take steps to ensure the safety of patients, staff, and their families, as well as mitigate the financial impact from this pandemic. The Company, its subsidiaries, and its affiliate company (NHS) are moving to serve its patients through telemedicine where it is appropriate. In addition, the Company, its subsidiaries and affiliate company were forced to close corporate offices and certain of its clinics, and temporary layoff approximately 30% of its employees and contractors, as well as, reduce hours of staff.

Note 27 – Post reporting date events (continued)

Qualifying Transaction

Subsequent to year-end, the Company engaged a large independent Canadian investment bank to act as agent for a private placement offering through a newly incorporated federal company Pathway Health Corp. (“Pathway”). The private placement of subscription receipts is intended to raise gross proceeds of at least \$10,000,000 with an over-allotment option of \$1,500,000 (the “Subscription Offering”). The Subscription Offering will consist of subscription receipts of Pathway (the “Subscription Receipts”) at a price of \$0.50 per Subscription Receipt. Each Subscription Receipt will automatically convert, upon the satisfaction of certain conditions, without additional payment, into one unit of Pathway (each a “Unit”). Each Unit will consist of one Pathway Share and one half of one share purchase warrant (each whole warrant, a “Pathway Warrant”). Each Pathway Warrant will be exercisable to acquire one Pathway Share for a period of 24 months from the escrow release date at an exercise price of \$0.75 per Pathway Warrant. The Agent will be paid a commission of 8% of the aggregate gross proceeds (the “Cash Commission”) as well as non-transferable broker warrants (the “Broker Warrants”) equal to 8% of the Subscription Receipts sold. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at the at an exercise price of \$0.50 per Broker Warrant. In addition, the Agent will receive a corporate finance fee of \$150,000.

On January 18, 2021, Pathway entered into an asset and share purchase agreement (“Asset and Share Purchase Agreement”) with the Company, for purchase of all or substantially all of the operating assets of the Company (“Asset Acquisition Transaction”). The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement consisted of \$4,855,301 in a non-interest bearing demand promissory note and 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares (valued at \$0.50 per Class C preferred share and \$0.50 per Class D preferred share) as well as the assumption of certain liabilities totalling \$5,043,001.

In addition, Cura-Can has entered into a letter of intent with a capital pool company (the “CPC”) whose shares are listed on the NEX board of the TSX Venture Exchange under which the CPC is expected to acquire all the issued and outstanding securities of Pathway (the “RTO Transaction”). The RTO Transaction together with the Asset Acquisition Transaction is expected to constitute a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

Unsecured Convertible Debentures

From November 2020 to January 2021, the Company issued unsecured convertible debentures of \$2,311,000. The unsecured convertible debentures mature 12 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

The Clinic Network Canada Inc.

Consolidated Financial Statements

For the year ended December 31, 2018

(Expressed in Canadian Dollars)

The Clinic Network Canada Inc.
Consolidated Financial Statements
December 31, 2018

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Independent Auditor's Report

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To the Shareholders of
The Clinic Network Canada Inc.

Opinion

We have audited the consolidated financial statements of The Clinic Network Canada Inc. ("the Company"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Clinic Network of Canada Inc. as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$1,890,951 for the year ended December 31, 2018 and had negative cash from operations of \$1,162,258 for the year ended December 31, 2018. As at December 31, 2018, current liabilities exceeded current assets by \$3,503,456. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Other Matter

The consolidated financial statements of The Clinic Network of Canada Inc. for the 304 day period ended December 31, 2017 and the consolidated statement of financial position at January 1, 2018 are unaudited.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada

April 1, 2020

Chartered Professional Accountants

The Clinic Network Canada Inc.
Consolidated Statement of Financial Position
December 31, 2018

	December 31, 2018	December 31, 2017 (Unaudited)
Assets		
Current		
Cash	\$ 25,372	\$ 32,178
Accounts and other receivables (Note 5)	253,217	46,449
Prepays	23,805	-
	<u>302,394</u>	<u>78,627</u>
Loan receivable (Note 7)	-	200,616
Property and equipment (Note 6)	316,527	-
Intangible assets (Note 7)	289,957	99,167
Goodwill (Note 8)	419,722	-
	<u>1,026,206</u>	<u>299,783</u>
Total assets	<u>\$ 1,328,600</u>	<u>\$ 378,410</u>
Liabilities and equity		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 519,289	\$ 178,664
Deferred revenue (Note 10)	118,497	74,943
Due to related parties (Note 11)	3,168,064	785,894
	<u>3,805,850</u>	<u>1,039,501</u>
Deferred tax liability (Note 12)	74,787	-
	<u>3,880,637</u>	<u>1,039,501</u>
Shareholder's Deficit		
Share capital (Note 13)	675,000	675,000
Deficit	(3,227,042)	(1,336,091)
Non-controlling interest (Note 20)	5	-
	<u>(2,552,037)</u>	<u>(661,091)</u>
Total liabilities and equity	<u>\$ 1,328,600</u>	<u>\$ 378,410</u>

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Loss and Comprehensive Loss
For the year ended December 31,

	2018 (365 days)	2017 (304 days) (Unaudited)
Revenue (Note 15)	\$ 550,934	\$ 32,004
Cost of sales		
Licensing fees	282,156	132,715
Consultants	109,643	-
Clinic and medical supplies	6,032	-
Total cost of sales	<u>397,831</u>	<u>132,715</u>
Gross margin	<u>153,103</u>	<u>(100,711)</u>
Selling, general and administrative expenses (Note 16)	<u>1,327,298</u>	<u>441,527</u>
Loss before other items	<u>(1,174,195)</u>	<u>(542,238)</u>
Other items		
Interest expense	(5,823)	(20,638)
Amortization of intangibles	(7,194)	(833)
Impairment of intangible assets (Note 7)	(491,973)	-
Impairment of investment	-	(904,075)
Impairment of loan receivable (Note 7)	(259,500)	(91,106)
Forgiveness of debt	57,302	222,799
	<u>(707,188)</u>	<u>(793,853)</u>
Loss before income taxes	<u>(1,881,383)</u>	<u>(1,336,091)</u>
Income tax expense (Note 12)	<u>9,568</u>	<u>-</u>
Net loss and comprehensive loss	<u>\$ (1,890,951)</u>	<u>\$ (1,336,091)</u>
Net loss attributable to:		
Shareholders	\$ (1,890,951)	\$ (1,336,091)
Non-controlling interest (Note 20)	-	-
	<u>\$ (1,890,951)</u>	<u>\$ (1,336,091)</u>
 Basic and diluted loss per share (Note 14)	 <u>\$ 583.52</u>	 <u>\$ 554.39</u>

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Changes in Equity
For the year ended December 31, 2018

	Share Capital Number	Share Capital Amount	Deficit	Total	Non- Controlling Interest	Total Deficit
Balance, March 3, 2017 (unaudited)	1	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000
Issuance from treasury - stock split	2,549	-	-	-	-	-
Shares issued on conversion of debt	224	224,000	-	224,000	-	224,000
Shares Issued as part of acquisition of Lift Resources Corp. (Note 4)	450	450,000	-	450,000	-	450,000
Net loss and comprehensive loss	-	-	(1,336,091)	(1,336,091)	-	(1,336,091)
Balance, December 31, 2017 (unaudited)	3,224	\$ 675,000	\$ (1,336,091)	\$ (661,091)	\$ -	\$ (661,091)
Balance, January 1, 2018	3,224	\$ 675,000	\$ (1,336,091)	\$ (661,091)	\$ -	\$ (661,091)
Proportionate investment in 10030712 Manitoba Ltd. (Note 21)	-	-	-	-	5	5
Net loss and comprehensive loss	-	-	(1,890,951)	(1,890,951)	-	(1,890,951)
Balance, December 31, 2018	3,224	\$ 675,000	\$ (3,227,042)	\$ (2,552,042)	\$ 5	\$ (2,552,037)

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

	2018 365 days	2017 304 days (Unaudited)
Operating activities		
Net loss	\$ (1,890,951)	\$ (1,336,091)
Items not affecting cash		
Amortization of intangible assets	7,194	833
Finance fees	5,823	20,638
Impairment of loan receivable	259,500	91,106
Deferred tax expense	9,568	-
Forgiveness of debt (Note 11)	-	(295,367)
Impairment of investment	-	904,075
Impairment of intangible assets	491,973	-
	<u>(1,116,893)</u>	<u>(614,806)</u>
Changes in non-cash working capital balances		
Accounts and other receivables	(145,490)	(46,449)
Prepays	(13,380)	-
Accounts payable and accrued liabilities	69,951	253,607
Deferred revenue	43,554	-
Net cash used in operating activities	<u>(1,162,258)</u>	<u>(407,648)</u>
Financing activities		
Net advances from related parties	1,193,942	439,826
Net cash provided by financing activities	<u>1,193,942</u>	<u>439,826</u>
Investing activities		
Acquisition of 9937340 Canada Inc.	(35,237)	-
Purchase of equipment	(3,253)	-
Net cash used in investing activities	<u>(38,490)</u>	<u>-</u>
(Decrease) increase in cash	(6,806)	32,178
Cash, beginning of year	32,178	-
Cash, end of year	<u>\$ 25,372</u>	<u>\$ 32,178</u>
Non-cash transactions:		
Acquisition of 9937340 Canada Inc. (Note 4)	\$420,000	-
Acquisition of Pure Clinic Inc. intangible assets (Note 7)	\$400,000	-
Equipment purchased through related party financing	\$303,527	-

See accompanying notes to the consolidated financial statements.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 1 – Nature of operations and going concern

The Clinic Network Canada Inc. (“the Company”) is a private company, incorporated under the Canada Business Corporations Act on March 3, 2017. The Company’s primary business is the owning and operating of medical clinics specializing in chronic pain. The Company is a wholly owned subsidiary of Cura-Can Health Corp (“Cura-Can”).

The Company’s registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able realize its assets and meet its operations for the foreseeable future. As at December 31, 2018, the Company has not yet achieved profitable operations, had an accumulated deficit since inception of \$3,227,042 and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore may be unable to realize its assets and discharge its liabilities in the normal course of the business.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing from related parties or third parties, to execute on its operational plans, including its various strategic initiatives, as well as support general working capital, capital expenditures, and its liabilities as they arise. Subsequent to year end, there was a total of \$9,143,986 of related party financing to fund the operating losses of the Company and to support expansion of the operations (Note 21). Although the Company has been successful in obtaining financing in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms reasonably favorable to the Company.

The consolidated financial statements do not reflect any adjustments to the carrying value of assets and liabilities, the reported income and expenses or balance sheet classifications that would be necessary if the going concern assumption was to be determined inappropriate. These adjustments could be material.

Note 2 – Basis of presentation

a) Statement of compliance

The consolidated financial statements and the notes hereto have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB). This is the Company’s first set of IFRS financial statements. The consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors on April 1, 2020.

The Company has prepared financial statements that comply with IFRS applicable as at December 31, 2018, together with the comparative figures for the 304 day period from the date of incorporation on March 3, 2017 to December 31, 2017, as described in the summary of significant accounting policies.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

c) Functional and presentation currency

Amounts presented in the consolidated financial statements and the notes hereto are in Canadian dollars, the Company’s functional currency, unless otherwise stated.

Note 2 – Basis of presentation (continued)

d) Basis of consolidation

The consolidated financial statements of the Company include financial statements of The Clinic Network Canada Inc. and its wholly owned subsidiary, 9937340 Canada Inc. and its 51% owned subsidiary 10030712 Manitoba Ltd. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. If accounted for as a business combination, any excess of the cost over the fair values of the identifiable net assets acquired is recognized as goodwill. If accounted for as a purchase of assets, any excess of the cost over fair value of the identifiable net assets is allocated to the assets purchased.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation. A non-controlling interest is presented as part of equity for the portion of the subsidiary's profit or loss that it not controlled by the Company.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interest. The Company has applied uniform accounting policies throughout all consolidated entries and reporting dates of the subsidiaries are all consistent with the Company.

e) Significant accounting estimates and judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involve uncertainty and, consequently, the estimates used in preparation of the consolidated financial statements may change as future events unfold, more experience is acquired or the Company's operating environment changes. Actual results may differ from these estimates under different assumptions or conditions. Estimates and judgments are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. See Note 3(s) below for further details.

Note 3 – Significant accounting policies

a) Revenue

For revenue from services delivered to patients, the Company recognizes revenue from the provision of patient services once the services have been rendered, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

For revenues derived from collaborations with third parties for delivery of educational services to patients, the Company recognizes revenue based on contracted terms with third parties once orders are received and fulfilled by the third parties. Contracted terms do not include the provision of post-service obligations.

Revenue comprises the fair value of the consideration received or receivable for services delivered. The Company does not have any contracts where the period between the provision of the services to the patients and payment by the patients or third-party payer exceeds one year. As such, the company does not adjust any of the consideration received or receivable for the time value of money. Clients may pay in advance of using the service in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

Accounts receivable are amounts due for services rendered in the ordinary course of business. If collection is expected in twelve months or less, accounts receivable are classified as current assets. If not, accounts receivable are presented as non-current assets. Accounts receivable also include accrued receivables, which are amounts owed to the Company for services rendered and not yet invoiced or billed.

Note 3 – Significant accounting policies (continued)

b) Foreign currency

Transactions in currencies other than Canadian dollars, the Company's functional and presentation currency, are translated at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Exchange gains and losses on foreign currency differences are recognized in earnings in the period incurred.

c) Cash

Cash consists of cash on hand and balances with banks.

d) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and conditions necessary for the property or equipment to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows:

• Computer equipment	3 years
• Furniture and fixtures	5 years
• Medical equipment	5 years
• Leasehold improvements	Term of the lease

Depreciation commences when the assets is available for use. The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjustments are accounted for prospectively if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of an asset is included in profit or loss in the period the asset is derecognized.

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is measured as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Goodwill is carried at cost less accumulated impairment losses.

f) Intangible assets

Acquired

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

Note 3 – Significant accounting policies (continued)

• Customer list	5 years
• Brand	25 years
• Group billing number	Indefinite useful life
• Trademarks and copyrights	Indefinite useful life

Intangible assets with finite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of amortization is reviewed at least annually.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

g) Research and development costs

Research costs are charged as an expense in the period in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization.

h) Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

i) Impairment of non-financial assets and goodwill

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purposes of assessing impairment, property and equipment are grouped into cash generating units ("CGU"s). The CGUs are the smallest identifiable group of assets that generate cash flows that are independent of cash flows of other groups of assets. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use of each CGU is determined using estimated discounted cash flows, which include estimates of future cash flows and determination of the discount rate. The fair value less costs of disposal is based on available data from sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

For the purpose of measuring recoverable amounts where the recoverable amount of an asset cannot be determined, the assets are grouped at the lowest levels for which there are separately identifiable CGUs. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its recoverable amount, and is recorded in the period when it is determined that the carrying amount of the asset, or its CGU, may not be recoverable. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Note 3 – Significant accounting policies (continued)

An impairment loss in respect of goodwill are not reversed. In respect of other non-financial assets, at the end of each reporting period, the Company makes an assessment as to whether there is any indication that previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset's, or its CGU's recoverable amount, and compares it to the carrying amount, net of accumulated depreciation that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

j) Cost of sales

Cost of sales includes the cost of physician services, medical supplies, overhead costs, shipping and labour.

k) Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in the net loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income

Current taxes

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that is no longer probable that they can be utilized.

l) Earnings per share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common share outstanding during the year. Diluted earnings per share would reflect the potential dilution that would occur if there were stock options, warrants, or other convertible securities that were exercised or converted. Diluted earnings per share is calculated by dividing net earnings available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding arising from the exercise or conversion of potentially dilutive stock options, warrants, or other convertible securities outstanding during the year.

The Company uses the treasury method for outstanding options which assumes that the proceeds that could be obtained upon exercise of options are used to purchase the Company's common shares at the fair market value or average market price during the year. Anti-dilutive amounts are not considered in computing diluted earnings per share.

m) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income".

Note 3 – Significant accounting policies (continued)

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial assets and liabilities recognized at amortized cost:

- Cash is initially recognized at fair value and is subsequently measured at amortized cost.
- The Company's accounts and other receivables and amounts due from related parties are classified under the amortized cost category and are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.
- Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Any changes in value are recognized in profit or loss. Financial liabilities are classified as current liabilities if payment is due within twelve months. Transaction costs incurred with respect to the loans and borrowing are deferred and amortized using the straight-line method over the term of the loan.

The Company's financial liabilities include accounts payable and accrued liabilities, long-term borrowings, due to related party and due to shareholders.

Impairment of financial assets

The Company's trade and other receivables are subject to the expected credit loss model under IFRS 9. The Company applies the simplified approach to providing for expected credit losses for its trade receivables.

At each reporting date, the Company assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, that the loss event has an impact of the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include:

- default or delinquency by a borrower;
- indication that the borrower will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data such as adverse changes in the payment status of the borrower.

n) Share capital

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects.

o) Fair value measurement

The Company determines the fair value of items classified as fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Note 3 – Significant accounting policies (continued)

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Price in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Currently no items are classified as fair value through profit or loss.

p) Provisions and contingencies

Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at managements' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

q) New standards and interpretations not yet adopted

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company's financial statements in the future:

IFRS 16 – Leases

Effective January 1, 2019, the Company will adopt IFRS 16 – Leases using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. IFRS 16 introduces a single lease accounting model for lessees which will result in the recognition of a right of use ("ROU") asset, as well as a corresponding lease liability ("ROU liability") reflecting the present value of lease payments. Depreciation expense on the ROU asset and interest expense on the ROU liability will replace operating lease expenses that were recognized under IAS 17.

The associated right of use ROU assets will be measured as if IFRS 16 has been applied from lease commencement measuring the ROU assets at the present value of lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The ROU assets will be amortized on a straight-line basis over the term of the lease. The corresponding net book value of the ROU assets at December 31, 2018 will be the amount recognized as at January 1, 2019. ROU lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The difference between the ROU assets and the ROU lease liabilities will result in an adjustment to the balance of the retained earnings.

The Company intends to use the following practical expedients permitted under the new standard:

- (i) Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- (ii) Leases of low dollar value will continue to be expensed as incurred;
- (iii) Grandfathering IFRIC4 assessment to conclude no leases are contained in service agreement; and apply a single discount rate to a portfolio of leases with similar characteristics.

The Company is still considering the implications of the standard, and the impact on the Company.

Note 3 – Significant accounting policies (continued)

r) Estimates and critical accounting judgments and key sources of estimation uncertainty

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

- Business combinations – In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.
- Provisions and contingencies – Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.
- Accounts and other receivables – The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the statement of operations in the period in which the reversal occurred.
- Income Tax – the Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore effect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

- Property and equipment – The amounts recorded for depreciation of property and equipment are based on estimates of the useful lives of the assets and residual values. The Company depreciates property and equipment over the estimated useful lives of the assets. The Company considers expectations of the in-service period of these assets in determining these estimates.

The estimates of cash flows used to assess the potential impairment of these assets are also subject to measurement of uncertainty. A significant change in these estimates and judgments could result in a material change to depreciation expense or impairment charges.

Note 3 – Significant accounting policies (continued)

- Leases – Management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

- Impairment of financial assets – All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses on the adoption of IFRS 9. Actual collectability of customer balances can vary from the Company's estimation.
- Impairment of non-financial assets – the Company tests property, plant and equipment (if indicators are present) and goodwill annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the CGU or group of CGUs, to which the property, plant and equipment and goodwill is allocated, exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances discussed in Note 3 i) above.
- Deferred tax assets – Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific circumstances.

Note 4 – Business combinations

9937340 Canada Inc o/a Involved Medicine

In December of 2018, the Company completed the acquisition of all the issued and outstanding shares of 9937340 Canada Inc o/a Involved Medicine that owned and operated an interdisciplinary healthcare clinic in Ontario for total consideration of \$600,000 (consisting of the payment of \$180,000 in cash and issuance of 420,000 Class A shares of Cura-Can).

\$50,000 cash was paid upon closing, with an additional \$130,000 paid upon meeting final conditions in the purchase agreement. The acquisition was completed to add comprehensive pain management competencies to the clinic's current complement of services.

Involved Medicine's revenue and net income from the date of acquisition to December 31, 2018 was \$96,800 and \$36,031 respectively. Due to lack of IFRS specific data prior to the acquisition of Involved Medicine, pro-forma profit or loss of the combined entity for any periods prior to acquisition cannot be determined reliably.

The total consideration transferred, and the fair value of identifiable assets acquired, liabilities assumed, and goodwill recognized, as a result of the acquisition, are as follows:

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 4 – Business combinations (continued)

	Total
Fair value of consideration transferred	
Cash	\$ 180,000
Common shares of Cura-Can Health Corp.	420,000
	<u>\$ 600,000</u>
Fair value of identifiable assets acquired	
Accounts receivable	\$ 61,278
Prepays	10,425
Equipment	9,747
Group Billing Number	141,212
Brand Value	148,745
	<u>371,407</u>
Less fair value of liabilities assumed	
Bank indebtedness	5,237
Payables and accruals	120,674
Deferred tax liability	65,218
Net identifiable assets acquired and liabilities accrued	<u>180,278</u>
Goodwill	<u>419,722</u>
	<u>\$ 600,000</u>

The goodwill recognized on the acquisition of Involved Medicine represents expected expanded operations and includes intangible assets that do not qualify for separate recognition.

The goodwill recognized is not deductible for income tax purposes.

9398252 Canada Inc o/a Lift Resources Centre (unaudited)

On May 15, 2017, Cura-Can Health Corp entered into a share exchange agreement with 9398252 Canada Inc o/a Lift Resource Centre ("LRC"). LRC carried on the business of patient education, accessing and fulfillment of the prescription for medical marijuana.

Under the transaction, Cura-Can issued 450,000 Class A Shares of Cura-Can Inc at a price of \$1.00 per share for all outstanding shares of LRC. Additionally, there was a convertible debenture in the amount of \$200,000 plus one year of accrued interest at 12% (\$24,000) for a total of \$224,000 held by Syndicate Ventures Ltd and 0970090 BC Ltd.

On June 14, 2017, Cura-Can assigned the debt of \$224,000 to the Company at a price of 224 Class A shares at \$1,000/share of the Company. Also, a Section 85 Asset Purchase Agreement was completed between Cura-Can and TCNC, transferring the assets of LRC to the Company. On December 31, 2017, the Company closed the LRC clinics and wrote off the investment of \$674,000.

Note 5 – Accounts and other receivables

	December 31, 2018	December 31, 2017 (unaudited)
Accounts receivable	\$ 170,093	\$ 19,612
HST/GST recoverable	39,672	26,837
Other	43,452	-
	<u>\$ 253,217</u>	<u>\$ 46,449</u>

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 5 – Accounts and other receivables (continued)

Subsequent to year end, the Company transferred accounts receivable balances of \$126,097, to Cura-Can Health Corp., a related party, to partially repay its indebtedness owing to the Company.

Note 6 – Property and equipment

Cost	Computer equipment	Medical equipment	Furniture and fixtures	Construction in progress	Total
Balance at December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through acquisition (Note 4)	2,629	7,118	-	-	9,747
Additions	-	225,047	67,815	13,918	306,780
Balance at December 31, 2018	2,629	232,165	67,815	13,918	316,527
Accumulated Amortization					
Balance at December 31, 2017	-	-	-	-	-
Amortization for the year	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-
Net Carrying Amounts					
As at December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
As at December 31, 2018	\$ 2,629	\$ 232,165	\$ 67,815	\$ 13,918	\$ 316,527

The increase of property and equipment through acquisitions and additions occurred during the last month of the year and it was decided that amortization was to begin in January of 2019.

Note 7 – Intangible assets

	Group billing number	Brand	Patents and copyrights	Total
Gross carrying amount				
Balance at December 31, 2017	\$ -	\$ -	\$ 100,000	\$ 100,000
Additions acquired (Note 4)	141,212	148,745	-	289,957
Additions	-	-	400,000	400,000
Balance at December 31, 2018	141,212	148,745	500,000	789,957
Accumulated Amortization and Impairment				
Balance at December 31, 2017	-	-	833	833
Additions	-	-	7,194	7,194
Impairment	-	-	491,973	491,973
Balance at December 31, 2018	-	-	500,000	500,000
Net Book Value				
As at December 31, 2017 (unaudited)	\$ -	\$ -	\$ 99,167	\$ 99,167
As at December 31, 2018	\$ 141,212	\$ 148,745	\$ -	\$ 289,957

Note 7 – Intangible assets (continued)

The Company's group billing number and brand consist of identifiable intangible assets acquired in a business combination (Note 4). Management believes that the methodology used to test impairment of intangibles, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether intangible assets are impaired are outside management's control and involves inherent uncertainty. Therefore, actual results could differ from those estimated. It is reasonably likely that assumptions and estimates will change in future periods.

As at December 31, 2018, the Company, in accordance with its policy, made the assessment the group billing number and brand had no changes in circumstances that indicate the carrying values are not recoverable.

In 2017, the Company entered into an agreement with Pure Clinic Inc. ("Pure") which operated medicinal cannabis clinics. Under the agreement, the Company loaned Pure \$200,000 at an interest rate of Alberta Treasury Branch prime rate plus 0.5%, compounding annually, in exchange for an option to acquire all or a portion of the issued and outstanding shares of Pure. Additionally, the Company entered into a licensing agreement with Pure under which the Company paid a \$100,000 upfront fee and agreed to pay monthly fee equal to the operating expenses of Pure. Under the license, the Company gained access to Pure's systems, including documentation, data, know-how, expertise, technologies, software, methods, procedures, processes, trade secrets, plans and other information associated with the operations of Pure.

On September 20, 2018, TCNC exercised its option to purchase the assets of Pure, including leased equipment, by providing 400,000 units consisting of one Cura-Can common share and one warrant to purchase Cura-Can common shares at \$0.50 on or before September 20, 2020. Concurrently with the purchase of the assets, TCNC bought out the equipment leases with the payment of \$289,000. The Company assessed the loan to Pure of \$200,000 plus accrued and unpaid interest and determined it was uncollectible and has fully provisioned as at December 31, 2018.

In fiscal 2018, the Company suspended the operations of the Pure clinic on an indefinite basis. As at December 31, 2018, the carrying amount of the Pure cash-generating unit exceeded its recoverable amount. Accordingly, the patents and copyrights were considered impaired and the value was expensed as an impairment charge.

Note 8 - Goodwill

	2018	2017
Balance at January 1,	\$ -	\$ -
Acquired through business combination (Note 4)	419,722	-
Balance at December 31,	<u>\$ 419,722</u>	<u>\$ -</u>

Goodwill of \$354,504 was recognized as part of accounting for the acquisition of Involved Medicine (see Note 4).

At December 31, 2018, the Company performed its annual goodwill impairment test in accordance with its policy. Based on the results of the test, the Company concluded that the recoverable amount of its cash-generating unit was not less than the carrying amount which indicated goodwill was not impaired.

The determination of recoverability is based on an estimate of discounted cash flows, using the value in use method. It is estimated fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach used a cash-generating unit's ("CGU") projection of estimated operating results and discounted cash flows based on a discount rate that reflect current market conditions. The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2018 impairment test, the Company discounted its CGU's cash flows using after-tax discount rates. The implied pre-tax discount rate is 13.65%. To arrive at cash flow projections, the Company uses estimates of economic and market information over the projection period. If market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share prices, increases the weighted average cost of capital, or changes in valuation multiple or other inputs to its goodwill assessment, the Company may need to test its goodwill for impairment between its annual testing periods.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 8 – Goodwill (continued)

In addition, it is possible that changes in the numerous variables associated with judgements, assumptions and estimates made by management in assessing the fair value of the Company's goodwill could cause its CGU to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity and cash flows from operating activities and will not have an impact on future operations.

The recoverable amount of the cash generating unit exceeded its carrying amount. The Company believes the recoverable amount is most sensitive to the risk-adjusted discount rate and the planned growth in revenue. If the risk adjusted discount rate were to exceed 32.0% for the CGU, or if the planned revenue growth were to decrease by 50.0% for the CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge.

Note 9 – Accounts payable and accrued liabilities

	December 31, 2018	December 31, 2017 (unaudited)
Accounts payable	\$ 63,578	\$ 125,472
Other accrued liabilities	233,129	15,316
Employee liabilities	222,582	37,876
	<u>\$ 519,289</u>	<u>\$ 178,664</u>

Note 10 – Deferred revenue

Balance, beginning of year, January 1, 2018 (unaudited)	\$ 74,943
Prepayment – funds received	230,090
Revenue recognized - cannabis education services	<u>(186,536)</u>
Balance, end of year. December 31, 2018	<u>\$ 118,497</u>

The deferred revenue represents prepayments for the providing of cannabis education services in future periods by certain customers.

Note 11 – Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balance and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 11 – Related party transactions (continued)

Due to related parties

Related party balance consists of amounts owing to related parties:

	December 31, 2018	December 31, 2017 (unaudited)
Due to Cura-Can	\$ 3,114,010	\$ 785,694
Due to key management	54,054	200
	<u>\$ 3,168,064</u>	<u>\$ 785,894</u>

The amounts due to and from related parties are non-interest bearing, are unsecured, and have no fixed payment terms. During the year ending December 31, 2018, a officer of the Company repaid bank indebtedness of a subsidiary of the Company in the amount of \$57,302 and subsequently forgave the corresponding amount due to related party.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the year and period are as follows:

	December 31, 2018 365 days	December 31, 2017 304 days (unaudited)
Consulting fees	<u>\$ 120,000</u>	<u>\$ 100,000</u>

Note 12 – Income taxes

The Company's current income tax recovery for the year ended December 31, 2018 is \$nil.

a) Income tax expense

As at December 31	2018	2017 (unaudited)
Current tax expense		
Current period	\$ -	\$ -
Deferred tax expense		
Origination and reversal of temporary differences	(375,157)	(354,061)
Change in tax rates and rate differences	-	89,305
Change in unrecognized temporary differences	384,725	264,756
Total income tax recovery	<u>\$ 9,568</u>	<u>\$ -</u>

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 12 – Income taxes (continued)

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

As at December 31	2018	2017 (unaudited)
Loss before income taxes	\$ (1,881,383)	\$ (1,336,091)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	(498,566)	(354,064)
Increase (decrease) resulting from:		
Non-deductible amounts	109,493	3
Change in tax rates	13,916	89,305
Change in unrecognized deductible temporary differences	384,725	264,756
Income tax expense	\$ 9,568	\$ -

b) Recognized deferred tax assets and liabilities

Deferred tax assets attributable to the following:	2018	2017 (unaudited)
Non-capital loss carry-forwards	\$ 2,079	505
Set-off tax	(2,079)	(505)
Net deferred tax asset	\$ -	\$ -

Deferred tax liabilities attributable to the following:	2018	2017 (unaudited)
Property, plant and equipment	\$ (27)	(174)
Intangible assets	(76,839)	(331)
Deferred tax liabilities	(76,866)	(505)
Set-off of tax	2,079	505
Net deferred tax liabilities	\$ (74,787)	\$ -

c) Movement in temporary differences in the year

Temporary differences	Balance December 31, 2017 (unaudited)	Recognized in profit and (loss)	Acquired in a business combination	Balance December 31, 2018
Non-capital loss carry-forwards	\$ 505	\$ (9,419)	\$ 10,993	\$ 2,079
Property, plant and equipment	(174)	(480)	627	(27)
Intangibles	(331)	331	(76,839)	(76,839)
Totals	\$ -	\$ (9,568)	\$ (65,218)	\$ (74,787)

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 12 – Income taxes (continued)

d) Unrecognized deferred tax assets

The Company has \$2,052,029 in non-capital loss carry-forwards. The non-capital loss carry-forwards expire in 2037. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

Deferred tax assets have not been recognized in respect of the following items:

As at December 31	2018	2017 (unaudited)
Deductible temporary differences	\$ 1,445,027	\$ 763,305
Tax losses	<u>2,077,051</u>	<u>837,557</u>
	<u>\$ 3,522,078</u>	<u>\$ 1,600,862</u>

Note 13 – Share capital

The Company is a wholly owned subsidiary of Cura-Can Health Corp.

a) Common shares

- i) Authorized – The Company has authorized an unlimited number of Class A and Class B common voting shares, as well as Class C and Class D preferred shares, without par value.

There was a stock-based compensation arrangement in place for directors, officers, employees and consultants for the year ended December 31, 2018 and period ended December 31, 2017, however, there were no instruments granted or approved during the year ended December 31, 2018.

Note 14 – Loss per share

The following table sets forth the computation of basic and diluted loss per share:

As at December 31	2018	2017 (unaudited)
Net loss	\$ (1,890,951)	\$ (1,336,091)
Weighted average number of shares outstanding – basic and diluted	3,224	2,410
Basic and diluted loss per share	\$ 583.52	\$ 554.39

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 15 – Revenue

The Company's revenue disaggregated by product type is as follows:

	2018		2017	
	365 days		304 days	
			(unaudited)	
Insured services	\$	89,786	16%	\$ - - %
Non-insured services		7,015	1%	- - %
Cannabis education		454,133	83%	32,004 100%
Total revenues	\$	550,934	100%	\$ 32,004 100%

Note 16 – Selling, general and administrative expenses

The following table shows the details of general and administrative expenses related to continuing operations for the 12 months ended December 31, 2018 and the 304 days ended December 31, 2017.

	2018		2017	
	365 days		304 days	
			(unaudited)	
Wages and benefits	\$	767,393	\$	356,584
Professional and consulting fees		181,907		9,348
Rent		159,365		11,953
Marketing		135,710		37,985
Office expenses		82,923		25,657
	\$	1,327,298	\$	441,527

Note 17 – Financial instruments

The carrying value of cash, accounts and other receivables, loan receivables, accounts payable and accrued liabilities, and amounts due to related parties approximate fair value due to the short-term nature.

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

a) Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and loan receivables. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, trade and other receivables receivable and loan receivables. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets. The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. The Company has recorded write offs of \$nil trade and other receivables; \$259,500 of loan receivable based on the likelihood of collection.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 17 – Financial instruments (continued)

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts receivable balance at December 31, 2018 of \$253,217. The Company's allowance for doubtful accounts as at December 31, 2018 is \$nil. As at December 31, 2018, the percentages of past due trade accounts receivable were as follows: 8.5% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. As at December 31, 2018, there was one customer that comprised of 16% of consolidated sales.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting, including anticipated investing and financing activities. The Company will use internally generated cash flows, current cash balances, additional share issuances, and/or shareholder financing to cover its normal operating and capital expenditures for the next fiscal year.

	Due within one year	Due between one and five years	Total
Accounts payable and accrued liabilities	\$ 519,289	\$ -	\$ 519,289
Due to related party	3,168,065	-	3,168,065
Balance, end year	\$ 3,687,354	\$ -	\$ 3,687,354

c) Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Note 18 – Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks. In the management of capital, the Company includes the components of shareholders' deficit and short-term and long-term liabilities, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, subject to availability different sources of funds, the Company may attempt to: issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to any externally imposed capital requirements. The Company does not payout dividends. There were no changes to management's capital management objectives, practices or policies in the year.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 19 – Commitments and contingent liabilities

Non-cancellable operating lease commitments

The Company recorded \$159,365 in rent expense. The Company is committed to future annual payments under operating leases for its land and facility leases with monthly payments listed below for each year. The leases mature March 2019 and November 2022.

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	Yearly Commitment
2019	\$ 277,578
2020	278,128
2021	282,970
2022	98,434
	<u>\$ 937,110</u>

Legal claim contingencies

Prior to the purchase of 9937340 Canada Inc (o/a Involved Medicine), a claim was filed against the business by Functional Medicine's principal, in the amount of \$50,000 for wrongful dismissal damages and \$25,000 for return of investment in business. Involved Medicine counterclaimed for \$70,000 in damages for fraud by the principal of Functional Medicine.

The purchase agreement for Involved Medicine included an indemnification from the sellers limiting the Company's liability to this lawsuit to \$25,000 if Functional Medicine claim was successful. Involved Medicine has accrued a contingent liability in the amount of \$25,000 which reflects the maximum exposure.

Note 20 – Non-controlling interest

In December of 2018, the Company acquired 51 common shares of 10030712 Manitoba Ltd. ("Manitoba") upon incorporation for \$0.10 per share for a total of \$5. The jointly established new operating company is a result of an agreement with Chief Peguis Investment Corp. ("Peguis"), and will provide interdisciplinary healthcare clinic in Manitoba, Canada. The Agreement is still being finalized. Manitoba is 51% owned by the Company, which did not arise as a result of a business combination, and 49% owned by Peguis, who acquired 49 common shares in December 2018. Non-controlling interest has been recorded for Peguis' share of Manitoba's net operations for the year.

Note 21 – Post reporting date events

Acquisition of Silver Medical Group Centre for Pain Care

On January 18, 2019, the Company acquired all the issued and outstanding shares of Silver Medical Group Centre for Pain Care ("SMG"). SMG operates an out of hospital chronic pain clinic.

Consideration for the acquisition of SMG consisted of a cash payment of \$2,362,422 funded by Cura-Can. Additionally, the Company purchased a loan receivable for \$637,578, which was subsequently paid out at the time of acquisition.

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
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Note 21 – Post reporting date events (continued)

The total consideration transferred, and the fair value of identifiable assets acquired, liabilities assumed, and goodwill recognized, as a result of the acquisition, are as follows:

	Total
Fair value of consideration transferred	
Cash	\$ 2,362,422
Cash acquired	(65,701)
	\$ 2,296,721
Fair value of identifiable assets acquired	
Accounts receivable	\$ 112,931
Inventory	26,200
Prepays	7,329
Equipment	308,375
Group Billing Number	180,761
Brand Value	565,438
	1,201,034
Less fair value of liabilities assumed	
Payables and accruals	81,854
Loans Payable	3,593
Deferred tax liability	197,743
Net identifiable assets acquired and liabilities accrued	917,844
Goodwill	1,378,877
	\$ 2,296,721

Concurrent with the acquisition, a new five-year lease agreement was entered, increasing the future lease payments by:

	Yearly commitment
2019	\$ 494,789
2020	503,469
2021	512,150
2022	520,830
2023	529,511
	\$ 2,560,749

Asset purchase from J. Slawner Ortho

On March 11, 2019, the Company created a new entity ("Slawner Ortho") and purchased the assets of insolvent J. Slawner Ortho from MNP LLP, the court appointed receiver. Slawner Ortho specializes in custom orthotics, prosthetics and home health care products.

Consideration for the purchase consisted of a deposit of \$25,000 paid on March 5, 2019 and payment of \$349,441 on March 18, 2019.

With the purchase of the assets of Slawner Ortho, lease agreements were entered for multiple locations, increasing the future lease payments by:

The Clinic Network Canada Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

Note 21 – Post reporting date events (continued)

		Yearly commitment
2019	\$	299,005
2020		369,892
2021		337,809
2022		334,892
2023		334,892
Subsequent Years		1,199,792
	\$	<u>2,876,282</u>

Additionally, on May 8, 2019, Slawner Ortho purchased the accounts receivable with a face value of \$140,625 for \$52,163.

Involved Medicine

In June of 2019, the main physician at Involved Medicine left the clinic and subsequently other physicians also departed. These departures have resulted in a steep decline in the clinics revenues. The Company has various initiatives to rebuild the clinics revenues.

New lease commitments

In March 2019, the Company renewed the lease for one-year for the Waterloo clinic and signed a new one-year agreement for the Edmonton clinic, increasing the future lease payments by:

		Yearly Commitment
2019	\$	41,185
2020		13,728
	\$	<u>54,913</u>

Financing from Cura-Can

In March of 2019, the Company entered into a demand debt facility agreement with its parent company, Cura-Can Health Corp. ("Cura-Can"). The facility carries coupon of 10% and compounds monthly. The credit facility is being used to fund the operations of the Company. To date, the Company has borrowed \$5,510,000.

Prior to the demand debt facility, the Company received non-interest-bearing financing from Cura-Can amounting to \$3,633,986.

Purchase of Natural Health Services

In December of 2019, Cura-Can Health Corp. purchased Natural Health Services ("NHS") from Sunniva Inc. Consideration for the purchase consisted of a deposit of \$250,000 cash and 6,428,358 Class A Cura-Can shares valued at \$8,035,448 totalling \$8,285,448. It is expected that Cura-Can will transfer the assets, consisting of patients, physician contracts, employees, equipment and leases to the Company. Details of this asset transfer to the Company are yet to be finalized.

Note 21 – Post reporting date events (continued)

COVID -19

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Although the duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, the Company was forced to take steps to ensure the safety of patients, staff, and their families, as well as mitigate the financial impact from this pandemic. The Company, its subsidiaries, and its affiliate company (NHS) are moving to serve its patients through telemedicine where it is appropriate. In addition, the Company, its subsidiaries and affiliate company were forced to close corporate offices and certain of its clinics, and temporary layoff approximately 30% of its employees and contractors, as well as, reduce hours of staff.

Schedule “D”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF TCNC FOR THE YEARS ENDED DECEMBER
31, 2019 AND 2018

**Management's Discussion & Analysis of
The Clinic Network Canada Inc.
For the year ended December 31, 2019, 2018 and 2017**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of The Clinic Network Canada Inc. and its wholly owned subsidiaries and its 51% owned subsidiary 10030712 Manitoba Ltd (the "Company", "TCNC", "we" or "our") constitutes management's review of the factors that affected our financial and operating performance for the year ended December 31, 2019, December 31, 2018 and the 304 days ended December 31, 2017. This MD&A is dated January 28, 2021 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018.

The annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars unless otherwise noted. For more detailed information regarding certain forward-looking statements contained herein, please see the note regarding "Forward-looking Statements".

The Company has incurred significant losses to date. The net loss for the year ended December 31, 2019 totalled \$6.7 million (2018 - \$1.9 million; 2017 - \$1.3 million) and as at December 31, 2019 the Company had a shareholder's deficiency of \$8.5 million (2018 - \$2.4 million; 2017 - \$0.7 million). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses.

In addition, the Company's current liabilities exceed their current assets by \$12.2 million (2018 - \$3.4 million; 2017 - \$1.0 million). These balances and the changes year over year indicate that there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

The Company has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, its ability to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps the Company is taking will be successful.

Forward-looking statements

This MD&A contains forward-looking information. This forward-looking information is not based on historical facts but rather on our expectations regarding the future growth of the Company and its respective results of operations, performance and business prospects and opportunities. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. This MD&A uses words such as "believe", "expect", "would", "will", "expects", "anticipates", "intends", "estimates", or similar expressions to identify forward-looking information. Such forward-looking information reflects our current beliefs based on information currently available to us. Please also refer to the "Risk Factors" section of this MD&A.

This MD&A contains forward-looking information. The words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions typically are used to identify forward-looking statements. The use of forward-looking statements reflects our current views, expectations, estimates and/or projections with respect to our performance, business and future events, and in this MD&A includes statements relating to, among others: expectations regarding our business; expectations relating to our business goals, objectives and schedules; expectations regarding the cannabinoid based therapy industry, including Canada's position therein; expectations regarding the acceptance of cannabinoid based therapies in the medical community; expectations regarding our clinical development plans; and expectations regarding development of new intellectual property from cannabinoid product combinations.

Forward-looking statements are based on the then-current expectations, forecasts and assumptions about the business and the industry and markets in which we operate, including, among others: that there will be no unforeseen delays, disruptions, market forces, regulations or laws that will prevent us from operating our business; and that we will be able to obtain the capital we require. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict, including, without limitation: that we may experience unforeseen delays, financing difficulties or costs that will impact our projects, operations, financial performance or liquidity; that we will not be able to advance our business plan or continue operations; that we will not be able to obtain insurance for our operations; that we will not be able to protect our intellectual property; that we will not be able to develop and commercialize, or obtain regulatory approvals to commercialize, products derived from our intellectual property; that we will not be able to recruit physicians for our clinics; that regulatory approvals of products developed from our intellectual property may result in significant delays; that development of cannabinoid based therapies may expose us to liability claims in excess of our insurance coverage; and those risks relating to the occurrence of national disasters, pandemics, hostilities, acts of war or terrorism, our reputation, our key personnel, competition, employee relations, changes in the cannabinoid based therapy market generally, potential downturns in economic conditions, foreign exchange fluctuations, fluctuations in the currency markets, inflationary pressures, changes in interest rates, changes in regulatory requirements which may alter or prohibit investment in our business, or changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada or any other country in which we operate or intend to operate. These risks, as well as others, could cause actual results and events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A and we do not undertake any obligations to update such forward-looking statements, except as required by applicable securities law.

Market and industry data contained in this MD&A is based upon information, surveys or studies conducted by independent third parties and independent industry or general publications and our knowledge of, and experience in, the markets in which we operate or intend to operate. The Company has no reason to believe that such information is false or misleading in any material respect, however market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. This information has not been independently verified by us or any of our respective directors, officers or representatives and no representation is given as to the accuracy of any of the data from third party sources referred to in this MD&A. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking information in this MD&A, and, accordingly, investors should not place undue reliance on any such forward-looking information.

Description of business

The Clinic Network Canada Inc. is a private company, incorporated under the Canada Business Corporations Act on March 3, 2017. The Company's primary business is the owning and operating of medical clinics specializing in chronic pain. The Company is a wholly owned subsidiary of Cura-Can Health Corp ("Cura-Can").

The consolidated financial statements of the Company include financial statements of the Company and its wholly owned subsidiaries, 9937340 Canada Inc (dba Involved Medicine), 2563367 Ontario Ltd (dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc (dba Slawner Ortho Ltee) and 9398252 Canada Inc. (dba Lift Resource Centre) and its 51% owned subsidiary 10030712 Manitoba Ltd.

The Company's registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

Selected Significant Historic Events

Slawner Ortho

On March 11, 2019, the Company incorporated a new entity (9393 1681 Quebec Inc - "Slawner Ortho") and purchased certain assets and assumed certain liabilities of insolvent J. Slawner Ortho from the court appointed receiver. Slawner Ortho specializes in custom orthotics, prosthetics and home health care products. The acquisition was completed to add comprehensive pain management products to the Company's current complement of services. Consideration for the purchase consisted of a deposit of \$0.03 million paid on March 5, 2019 and payment of \$0.35 million on March 18, 2019.

As J. Slawner Ortho was being sold due to bankruptcy, the Company was able to purchase certain assets and assume certain liabilities of J. Slawner Ortho for less than fair value resulting in a gain on purchase of \$0.3 million. The total acquisition costs related to this transaction were \$0.1 million and are included in professional and consulting fees within selling, general and administrative expenses in the year ended December 31, 2019.

In May 2019, Slawner Ortho purchased accounts receivable from the receiver at the bargain price of \$0.05 million. The fair value of the purchased accounts receivable was \$0.06 million, resulting in a gain on purchase of \$0.01 million. The gross contractual amount of the purchased receivables was \$0.1 million the Company's estimate of the contractual cash flows not expected to be collected at the acquisition date was \$0.08 million.

2563367 Ontario Ltd o/a Silver Medical Group Centre for Pain Care

Effective January 1, 2019, the Company acquired all the issued and outstanding shares of Silver Medical Group Centre for Pain Care ("Silver"). Silver operates an out of hospital chronic pain clinic. The acquisition was completed to add comprehensive interventional pain management competencies to the Company's current complement of services. Consideration for the acquisition of Silver was a cash payment of \$3.0 million.

9937340 Canada Inc o/a Involved Medicine

In December of 2018, the Company completed the acquisition of all the issued and outstanding shares of 9937340 Canada Inc o/a Involved Medicine that owned and operated a rheumatology clinic in Ontario for total consideration of \$0.6 million (consisting of the payment of \$0.2 million in cash and issuance of 420,000 Class A shares of Cura-Can). \$0.05 million cash was paid upon closing, with an additional \$0.1 million paid upon meeting final conditions in the purchase agreement. The acquisition was completed to add rheumatology and multi-disciplinary competencies to the Company's current complement of services.

In fiscal 2019, due to loss in key personnel, the Company suspended the operations of Involved Medicine on an indefinite basis. As a result, the recoverable amount related to its intangible assets (group billing number and brand of \$0.1 million and \$0.1 million respectively) and goodwill (\$0.4 million) were considered impaired and expensed as an impairment charge in the year ending December 31, 2019.

10030712 Manitoba Ltd. ("Manitoba")

In December of 2018, the Company acquired 51 common shares of 10030712 Manitoba Ltd. ("Manitoba") upon incorporation for \$0.10 per share for a total of \$5. The jointly established new operating company is a result of an agreement with Chief Peguis Investment Corp. ("Peguis") and will provide interdisciplinary healthcare at a clinic in Manitoba, Canada. The Agreement is still being finalized. Manitoba is 51% owned by the Company and 49% owned by Peguis, who acquired 49 common shares in December 2018 for \$5.

Pure Clinic Inc.

In 2017, the Company entered into an agreement with Pure Clinic Inc. ("Pure") which operated weight loss and pain management clinics, that were restructured to provide medical cannabis services. Under the agreement, the Company paid an upfront fee and agreed to pay a monthly fee equal to the operating expenses of Pure to gained access to Pure's systems, including documentation, data, know-how, expertise, technologies, software, methods, procedures, processes, trade secrets, plans and other information associated with the operations of Pure. In September 2018, the Company exercised its option under the agreement to purchase the assets of Pure, including leased equipment. In fiscal 2018, the Company suspended the operations of the Pure clinics on an indefinite basis.

9398252 Canada Inc. o/a Lift Resources Centre

On May 15, 2017, Cura-Can Health Corp entered into a share exchange agreement with 9398252 Canada Inc o/a Lift Resource Centre ("LRC"). LRC carried on the business of patient education, accessing and fulfillment of the prescription for medical marijuana. On December 31, 2017, the Company closed the LRC clinics and wrote off the investment.

Selected consolidated financial information

The following table sets forth selected consolidated data for the years ended December 31, 2019 and 2018 and the 304-day period ended December 31, 2017 as follows:

	2019	2018	2017*
Statement of operations data			
Revenue	\$ 6,565,438	\$ 550,934	\$ 32,004
Loss before other items and income taxes	(5,388,061)	(1,174,195)	(542,238)
Net loss and comprehensive loss	(6,658,444)	(1,890,951)	(1,336,091)
Basic and diluted net loss per common share			
	\$ (2,040)	\$ (587)	\$ (554)
Balance sheet data:			
Total assets	\$ 8,536,051	\$ 1,477,328	\$ 378,410
Long-term liability	3,395,256	74,787	-

*represents 304 days

The fluctuations in reported results during these periods resulted primarily from the following factors:

- The large increase in revenues from fiscal 2018 to 2019 was mainly due to the acquisition of Silver and Slawner Ortho which led to an increase in provincially insured physician services revenues by \$3.8 million and custom orthotics, prosthetics and home health care products related revenue by \$2.1 million.
- The large increase in revenues from fiscal 2017 to 2018 was due to the \$0.4 million growth in cannabis education revenues and \$0.1 million increase in provincially insured physician services consistent with the expansion of the business.
- Included in loss before other items and income taxes is a \$2.2 million increase in gross margin from fiscal 2018 to 2019, mainly due to the new revenues described above.
- The increased loss before other items and income taxes over the past three years reflects expenses incurred related to the growth of the business, mainly increased wages and benefits and professional and consulting fees as the Company expands their business and increase head count to support operations.
- Loss before other items and income taxes for fiscal 2019 also represents an increase over fiscal 2018 of \$0.5 million in office expenses and \$0.8 million in depreciation reflecting costs related to the businesses acquired and expansion of operations and the adoption of IFRS 16, *Leases* on January 1, 2019.

- Included in the net loss and comprehensive loss in fiscal 2019 was a \$0.6 million increase in finance expenses compared to fiscal 2018 related to interest on an outstanding credit facility and interest on lease liability due to the application of IFRS 16 "Leases" for fiscal periods starting Jan 1, 2019.
- Net loss and comprehensive loss in fiscal 2017 includes a \$0.9 million impairment of investment mainly related to the closure of LRC.
- The growth in assets over the three years reflects the various acquisitions the Company completed over the years and their continued expansion of services

Review of operating results – the year ended December 31

Revenue and gross margin

	2019	2018	2017*	2019/2018		2018/2017	
				Change \$	Change %	Change \$	Change %
Revenue							
Provincially insured physician services	\$ 3,914,001	\$ 89,786	\$ -	\$ 3,824,215	4259%	\$ 89,786	n/a
Products and provincially non-insured physician services	2,357,229	7,015	-	2,350,214	33503%	7,015	n/a
Cannabis education	294,208	454,133	32,004	(159,925)	(35%)	422,129	1319%
Total revenue	<u>\$ 6,565,438</u>	<u>\$ 550,934</u>	<u>\$ 32,004</u>	<u>\$ 6,014,504</u>	<u>1092%</u>	<u>\$ 518,930</u>	<u>1621%</u>
Cost of sales							
Licensing fees	\$ -	\$ 282,156	\$ 132,715	\$ (282,156)	(100%)	\$ 149,441	113%
Consultants	2,906,221	109,643	-	2,796,578	2551%	109,643	n/a
Cost of goods sold	916,603	-	-	916,603	n/a	-	n/a
Clinic and medical supplies	359,167	6,032	-	353,135	5854%	6,032	n/a
Total cost of sales	<u>\$ 4,181,991</u>	<u>\$ 397,831</u>	<u>\$ 132,715</u>	<u>\$ 3,784,160</u>	<u>951%</u>	<u>\$ 265,116</u>	<u>200%</u>
Gross margin**	\$ 2,383,447	\$ 153,103	\$ (100,711)	\$ 2,230,344	1457%	\$ 253,814	(252%)

*represents 304 days

** see "Non-IFRS financial measures" section

Revenue increased from \$0.6 million for the year ended December 31, 2018 to \$6.6 million for the year ended December 31, 2019. The increase in provincially insured physician services and products and provincially non-insured physician services is a result of the Silver and Slawner Ortho acquisitions in fiscal 2019. The \$0.2 million decrease in cannabis education year over year is due to certain one time revenue contracts that were not renewed.

Revenue increased from \$0.03 million for the 304 days ended December 31, 2017 to \$0.6 million for the year ended December 31, 2018. The \$0.4 million increase in Cannabis education revenue was due to the expansion of operations in 2018 and certain one time revenue contracts. The \$0.1 million increase in insured services is a result of the Involved Medicine acquisition.

Provincially insured physician services refer to revenue generated for providing publicly accessible healthcare services that are reimbursed by the provincial health authorities. Products and provincially non-insured services refer to services that are not eligible for government reimbursement and as such are charged directly to patients and/or third parties and mainly consist of custom orthotics, prosthetics and home health care products related revenues.

Gross margin has increased by \$2.2 million for the year ended December 31, 2019 versus the same prior year period. This is consistent with the increase in revenues and reflects the expansion of services, product offerings and operations of the Company. Fiscal 2018 includes licensing fees of \$0.3 million related to the operation of Pure Clinic Inc., which operated medicinal cannabis clinics. In fiscal 2018, the Company suspended the operations of the Pure clinic on an indefinite basis.

Gross margin has increased by \$0.3 million for the year ended December 31, 2018 versus the 304 days ended December 31, 2017. The negative gross margin for the period ended December 31, 2017 is due to the costs of licensing fees related to operating the Pure clinics in 2017.

Selling, general and administrative expenses

	2019/2018						2018/2017	
	2019	2018	2017*	Change \$	Change %	Change \$	Change %	
Wages and benefits	\$ 4,356,551	\$ 767,393	\$ 356,584	\$ 3,589,158	468%	\$ 410,809	115%	
Professional and consulting fees	1,134,580	181,907	9,348	952,673	524%	172,559	1846%	
Rent	738,038	159,365	11,953	578,673	363%	147,412	1233%	
Marketing	241,904	135,710	37,985	106,194	78%	97,725	257%	
Office expenses	535,892	82,923	25,657	452,969	546%	57,266	223%	
Depreciation	764,543	-	-	764,543	n/a	-	n/a	
	\$ 7,771,508	\$ 1,327,298	\$ 441,527	\$ 6,444,210	486%	\$ 885,771	201%	

*represents 304 days

Selling, general and administrative ("SG&A") expenses increased to \$7.8 million for the year ended December 31, 2019, compared to \$1.3 million for the same 2018 fiscal period. SG&A expenses increased to \$1.3 million for the year ended December 31, 2018, compared to \$0.4 million for the 304 days ended December 31, 2017. The consistent year over year growth in SG&A is a result of the business acquisitions over the years and reflects expenses required to support the additional scale in the clinic and non-clinic operations.

IFRS 16, *Leases* was implemented January 1, 2019 on a modified retrospective approach with no impact to prior periods. This resulted in the Company recognizing a right-of-use asset and related lease liability in connection with all operating leases except for those identified as low-value or having remaining lease term of less than 12 months from the date of initial application. The adoption of this standard has led to an increase in depreciation as the right-of-use asset is depreciated over the term of the lease. The increase in depreciation in 2019 is also due to the business acquisitions which brought in additional property and equipment.

Other expenses

	2019/2018					2018/2017	
Other items	2019	2018	2017*	Change \$	Change %	Change \$	Change %
Finance expense	\$ 569,750	\$ 5,823	\$ 20,638	\$ 563,927	9684%	\$ (14,815)	(72%)
Amortization of intangibles	32,603	7,194	833	25,409	353%	6,361	764%
Share-based compensation	516,176	-	-	516,176	n/a	-	n/a
Impairment of investment	-	-	904,075	-	n/a	(904,075)	(100%)
Impairment of intangible assets	284,007	491,973	-	(207,966)	(42%)	491,973	n/a
Impairment of goodwill	419,722	-	-	419,722	n/a	-	n/a
Gain on acquisition of Slawner Ortho	(295,100)	-	-	(295,100)	n/a	-	n/a
Impairment of loan receivable	-	259,500	91,106	(259,500)	(100%)	168,394	185%
Forgiveness of debt	-	(57,302)	(222,799)	57,302	(100%)	165,497	(74%)
	\$ 1,527,158	\$ 707,188	\$ 793,853	\$ 819,970	116%	\$ (86,665)	(11%)

*represents 304 days

The \$0.56 million increase in finance expense for the year ended December 31, 2019 over the same prior year period is mainly due to \$0.22 million interest on the outstanding credit facility which was entered into in fiscal 2019 and the \$0.35 million interest on lease liability due to the adoption of IFRS 16 "Leases" on January 1, 2019.

Share-based compensation expense in 2019 reflects the 3,000,000 options issued in fiscal 2019. There were no options outstanding in fiscal 2018.

In fiscal 2019, due to loss in key personnel, the Company suspended the operations of Involved Medicine on an indefinite basis, resulting in an impairment of intangible assets of \$0.3 million and impairment of goodwill of \$0.4 million. The \$0.5 million impairment of intangible assets and \$0.2 million of the impairment of loan receivable in 2018 relates to the suspension of operations of the Pure clinic on an indefinite basis.

As Slawner Ortho was being sold due to bankruptcy, the Company was able to purchase certain assets and assume certain liabilities for less than fair value resulting in a \$0.3 million gain in fiscal 2019.

Impairment of investments for the 304 days ended 2017, relates to the closure of the LRC and Involved Medicine clinics. Forgiveness of debt in 2017 relates to investor loans forgiven during that period.

Selected quarterly information

The following table highlights selected unaudited consolidated financial data for each of the twelve most recent quarters that in management's opinion, have been prepared on a basis consistent with the interim condensed consolidated financial statements for the three and twelve months ended December 31, 2019 except for the adoption of IFRS 16 Leases on January 1, 2019 which was adopted on a modified retrospective basis with no restatement of comparatives as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The selected financial information presented below reflects all adjustments, consisting primarily of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These results are not necessarily indicative of results for any future period and you should not rely on these results to predict future performance.

	Three months ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Statement of operations data				
Revenue	\$ 1,629,184	\$ 1,659,228	\$ 1,864,588	\$ 1,412,438
Gross margin	659,431	740,148	767,849	216,019
Loss before other items and income taxes	(1,494,394)	(1,200,122)	(1,322,149)	(1,371,396)
Net loss and comprehensive loss	(2,325,402)	(1,544,222)	(1,624,658)	(1,164,162)
Net loss attributable to:				
Shareholder	(2,309,152)	(1,521,068)	(1,602,020)	(1,146,137)
Non-controlling interest	(16,250)	(23,154)	(22,638)	(18,025)
Basic and diluted loss per share attributable to shareholders				
	\$ (716)	\$ (472)	\$ (497)	\$ (356)

	Three months ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Statement of operations data				
Revenue	\$ 234,635	\$ 119,964	\$ 71,109	\$ 125,226
Gross margin	165,083	81,942	(81,710)	(12,212)
Loss before other items and income taxes	(161,246)	(294,887)	(386,179)	(331,883)
Net loss and comprehensive loss	(212,236)	(1,016,655)	(386,829)	(275,231)
Net loss attributable to:				
Shareholder	(212,236)	(1,016,655)	(386,829)	(275,231)
Non-controlling interest	-	-	-	-
Basic and diluted loss per share attributable to shareholders	\$ (66)	\$ (315)	\$ (120)	\$ (85)

	Three months ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017*
Statement of operations data				
Revenue	\$ 32,004	\$ -	\$ -	\$ -
Gross margin	(100,711)	-	-	-
Loss before other items and income taxes	(401,842)	(47,125)	(93,271)	-
Net loss and comprehensive loss	(514,419)	(47,125)	(774,547)	-
Net loss attributable to:				
Shareholder	(514,419)	(47,125)	(774,547)	-
Non-controlling interest	-	-	-	-
Basic and diluted loss per share	\$ (160)	\$ (15)	\$ (1,284)	n/a

The fluctuations in the reported results during these periods resulted primarily from the following factors:

- The large increase in revenues from fiscal 2018 to 2019 was mainly due to the acquisition of Silver which led to an increase in provincially insured physician services revenues and the acquisition of Slawner Ortho which increased custom orthotics, prosthetics and home health care products related revenue.
- The large increase in revenues from fiscal 2017 to 2018 was due to the growth in cannabis education revenues due to certain one time revenue contracts and increase in provincially insured physician services consistent with the expansion of the business.
- The increased operating loss from over the past three years reflects expenses incurred related to the growth of the business, mainly increased wages and benefits and professional and consulting fees as the Company expanded their business and increased head count, through acquisitions and new hires, to support operations.
- Net loss in fiscal 2018 includes a \$0.5 million impairment of intangible assets and \$0.2 million of the impairment of loan receivable in 2018 relates to the suspension of operations of the Pure Clinic on an indefinite basis.
- Net loss in fiscal 2017 includes a \$0.9 million impairment of investment mainly related to the closure of LRC.

Review of operating results – Fourth quarter

The following table presents selected financial information (including certain non-IFRS measures, as noted) for the three months ended December 31, 2019, 2018 and 2017, which were derived from the consolidated financial statements for the respective periods:

	For the three months ended December 31,		
	2019	2018	2017
Revenue	\$ 1,629,184	\$ 234,635	\$ 32,004
Cost of sales			
Licensing fees	-	-	132,715
Consultants	699,566	63,520	-
Cost of goods sold	189,376	-	-
Clinic and medical supplies	80,811	6,032	-
Total cost of sales	969,753	69,552	132,715
Gross margin	659,431	165,083	(100,711)
Selling, general and administrative expenses	2,153,825	326,329	301,131
Loss before other items and income taxes	(1,494,394)	(161,246)	(401,842)
Other expense/(Income)			
Finance expense	205,494	11,148	20,639
Amortization of intangibles	8,352	1,798	833
Share-based compensation	170,208	-	-
Impairment of intangible assets	284,007	-	-
Impairment of goodwill	419,722	-	-
Impairment of loan receivable	-	28,475	91,105
	1,087,783	41,421	112,577
Loss before income taxes	(2,582,177)	(202,667)	(514,419)
Income tax (recovery) expense	(256,775)	9,569	-
Net loss and comprehensive loss	(2,325,402)	(212,236)	(514,419)
Net loss attributable to:			
Shareholders	(2,309,152)	(212,236)	(514,419)
Non-controlling interest	(16,250)	-	-
	\$ (2,325,402)	\$ (212,236)	\$ (514,419)
Weighted average common shares outstanding	3,224	3,224	3,224
Basic and diluted loss per share attributable to shareholders	\$ (716)	\$ (66)	\$ (160)

Review of operating results – Three months ended December 31,

Revenue and gross margin

	Three months ending December 31,			2019/2018		2018/2017	
	2019	2018	2017	Change \$	Change %	Change \$	Change %
Revenue							
Provincially insured physician services	\$ 926,467	\$ 89,785	\$ -	\$ 836,682	932%	\$ 89,785	n/a
Products and provincially non-insured physician services	644,790	7,015	-	637,775	9092%	7,015	n/a
Cannabis education	57,927	137,835	32,004	(79,908)	(58%)	105,831	331%
Total revenue	\$ 1,629,184	\$ 234,635	\$ 32,004	\$ 1,394,549	594%	202,631	633%
Cost of sales							
Consultants	\$ 699,566	\$ 63,520	\$ -	\$ 636,046	1001%	\$ 63,520	n/a
Licensing fees	-	-	132,715	-	n/a	(132,715)	(100%)
Cost of goods sold	189,376	-	-	189,376	n/a	-	n/a
Clinic and medical supplies	80,811	6,032	-	74,779	1240%	6,032	n/a
Total cost of sales	\$ 969,753	\$ 69,552	\$ 132,715	\$ 900,201	1294%	\$ (63,163)	(48%)
Gross margin*	\$ 659,431	\$ 165,083	\$ (100,711)	\$ 494,348	299%	\$ 265,794	(264%)

* see "Non-IFRS financial measures" section

Revenues increased from \$0.2 million for the three months ended December 31, 2018 to \$1.6 million for the same 2019 period. The increase in provincially insured physician services and products and provincially non-insured physician services is mainly a result of the Silver and Slawner Ortho acquisition in fiscal 2019. The \$0.1 million decrease in cannabis education year over year is mainly due to one time revenue contracts in 2018 that did not continue.

Revenue increased from \$0.03 million for the three months ended December 31, 2017 to \$0.2 million of the three months ended December 31, 2018. The increase in Cannabis education revenue was mainly due to the expansion of operations and certain one time revenue contracts. The \$0.1 million increase in provincially insured physician services is mainly a result of the Involved Medicine acquisition.

Gross margin have increased by \$0.5 million for the three months ended December 31, 2019 versus the same prior year period. This is consistent with the increase in revenues and reflects the expansion of our services and operations.

Gross margin has increased by \$0.3 million for the three months ended December 31, 2018 versus the same prior year period. The negative gross margin for the three months ended December 31, 2017 is due to the costs of licensing fees related to operating the Pure clinics in 2017.

Selling, general and administrative expenses

	Three months ending December 31,			2019/2018		2018/2017	
	2019	2018	2017	Change \$	Change %	Change \$	Change %
Wages and benefits	\$ 1,269,144	\$ 174,347	\$ 236,585	\$ 1,094,797	628%	\$ (62,238)	(26%)
Professional and consulting fees	235,641	60,673	9,348	174,968	288%	51,325	549%
Rent	193,108	69,753	11,953	123,355	177%	57,800	484%
Marketing	99,552	25,638	18,641	73,914	288%	6,997	38%
Office expenses	151,429	(4,082)	24,604	155,511	(3810%)	(28,686)	(117%)
Depreciation	204,951	-	-	204,951	n/a	-	n/a
	\$ 2,153,825	\$ 326,329	\$ 301,131	\$ 1,827,496	560%	\$ 25,198	8%

Selling, general and administrative ("SG&A") expenses increased to \$2.2 million for the three months ended December 31, 2019, compared to \$0.3 million for the same 2018 fiscal period. The overall increase in

SG&A is a result of the acquisitions in 2019 and reflects expenses required to support the additional scale in our clinic and non-clinic operations.

IFRS 16, *Leases* was implemented January 1, 2019 on a modified retrospective approach with no impact to prior periods. This resulted in the Company recognizing a right-of-use asset and related lease liability in connection with all operating leases except for those identified as low-value or having remaining lease term of less than 12 months from the date of initial application. The adoption of this standard has led to an increase in depreciation as the right-of-use asset is depreciated over the term of the lease. The increase in depreciation in 2019 is also due to the business acquisitions which brought in additional property and equipment.

SG&A expenses remained stable for the three months ended December 31, 2018 and 2017. The increase in professional and consulting fees, rent and marketing expenses as a result of the acquisition in 2018 is offset by a decrease in wages and benefits due to the closure of the LRC clinic.

Other items

Other items	Three months ending December 31,			2019/2018		2018/2017	
	2019	2018	2017	Change \$	Change %	Change \$	Change %
Finance expense	\$ 205,494	\$ 11,148	\$ 20,638	\$ 194,346	1743%	\$ (9,490)	(46%)
Amortization of intangibles	8,352	1,798	833	6,554	365%	965	116%
Share-based compensation	170,208	-	-	170,208	n/a	-	n/a
Impairment of intangible assets	284,007	-	-	284,007	n/a	-	n/a
Impairment of goodwill	419,722	-	-	419,722	n/a	-	n/a
Impairment of loan receivable	-	28,475	91,106	(28,475)	(100%)	(62,631)	(69%)
	<u>\$ 1,087,783</u>	<u>\$ 41,421</u>	<u>\$ 112,577</u>	<u>\$ 1,046,362</u>	<u>2526%</u>	<u>\$ (71,156)</u>	<u>(63%)</u>

The \$0.2 million increase in finance expense for the three month ended December 31, 2019 over the same prior year period is mainly due to the higher credit facility outstanding balance throughout the period and the interest on lease liability due to the adoption of IFRS 16 “Leases” on January 1, 2019.

Share-based compensation expense in 2019 reflects the 3,000,000 options issued in fiscal 2019. There were no options outstanding in fiscal 2018.

In fiscal 2019, due to loss in key personnel, the Company suspended the operations of Involved Medicine on an indefinite basis, resulting in an impairment of intangible assets of \$0.3 million and impairment of goodwill of \$0.4 million.

The \$0.1 million decrease in other expenses from the three months ended December 31, 2017 to the same 2018 period is mainly a result of uncollectable loans written off in 2017 that did not occur to the same extent in 2018.

Financial position

The following table presents a summary of our financial position:

	2019/2018				2018/2017		
	2019	2018	2017	Change \$	Change %	Change \$	Change %
Working capital*	\$ (12,156,544)	\$ (3,354,728)	\$ (960,874)	\$(8,801,816)	262%	\$(2,393,854)	249%
Non-current assets	7,097,179	1,026,206	299,783	6,070,973	592%	726,423	242%
Long-term obligations	3,395,256	74,787	-	3,320,469	4440%	74,787	n/a
Shareholders' deficiency	(8,454,621)	(2,403,309)	661,091	(6,051,312)	252%	(3,064,400)	(464%)

* see "Non-IFRS financial measures" section

Working capital

The \$8.8 million decrease in working capital from December 31, 2018 to December 31, 2019 reflects the following:

- In fiscal 2019 the Company entered into a credit facility agreement with Cura-Can in 2019, which had a principal and interest outstanding at year end of \$5.3 million
- \$3.4 million increase in amounts due to/from related parties, which reflects the additional resources the Company needed in the current year to fund operations
- \$0.5 million increase in accounts payable and accrued liabilities reflecting the larger operations of the Company
- \$0.5 million increase in the current portion of lease liability due to the implementation of IFRS 16

Offset by:

- \$0.4 million increase in cash due to proceeds received from credit facility and related party advances, offset by the net loss, working capital adjustments and investing activities.
- \$0.3 million increase in inventory related to acquisition of Slawner Ortho
- \$0.1 million increase in accounts and other receivables in line with the overall increase in revenues and timing of receipt of payment

The \$2.4 million decrease in working capital from December 31, 2017 to December 31, 2018 reflects the following:

- \$2.4 million increase in due to related parties, which reflects the additional resources the Company needed in the current year to fund operations
- \$0.3 million increase in accounts payable and accrued liabilities reflecting the larger operations of the Company

Offset by:

- \$0.4 million increase in accounts and other receivables in line with the overall increase in revenues and timing of receipt of payment

Non-current assets

Non-current assets consist of property and equipment, intangible assets and goodwill in 2019 and 2018.

Non-current assets consist of loan receivable, property and equipment, intangible assets and goodwill in 2017.

Property and equipment consist of leasehold improvements, computer equipment/software, medical equipment, furniture and fixtures, construction-in-progress and right-of-use assets related to facility leases. The \$4.0 million increase in property and equipment from fiscal 2018 to fiscal 2019 is due to the \$2.5 million assets acquired through business combinations and \$1.7 million additions both of which mainly relate to the addition of right of use assets under IFRS 16, offset by \$0.8 million in depreciation. The \$0.3 million increase in property and equipment from December 31, 2017 to December 31, 2018 is due to the \$0.2

million additions in medical equipment and \$0.1 million in furniture and fixtures, which is consistent with the expansion of operations.

The addition of the right of use asset relates to the application of the IFRS 16 Leases standard on January 1, 2019. The balance reflects the discounted lease payments adjusted for prepaid balances, lease incentives earned, any initial direct costs and any restoration costs. The standard was applied on a modified retrospective basis from January 1, 2019 with no restatement of comparatives as permitted under the specific transitional provisions in the standard. \$2.1 million of the assets acquired through business combinations and \$1.5 million of the additions in fiscal 2019 relate to right-of-use assets.

Intangible assets consist of values related to group billing numbers, brand, customer list and patents and copyrights. The \$0.5 million increase in intangible assets from December 31, 2018 to December 31, 2019 is due to the additions acquired through business combinations of \$0.8 million, offset by impairment charge of \$0.3 million. The \$0.2 million increase in intangible assets from December 31, 2017 to December 31, 2018 is due to the additions acquired through business combinations of \$0.3 million, additions of \$0.4 million, offset by impairment charge of \$0.5 million.

Goodwill increased by \$1.6 million from December 31, 2018 to December 31, 2019. The acquisition of Silver in 2019 resulted in goodwill recognition of \$2.0 million. This is offset by the Involved Medicine goodwill impairment of \$0.4 million. Goodwill increased by \$0.4 million from December 31, 2017 to December 31, 2018 due to the acquisition of Involved Medicine. The goodwill recognized on the Involved acquisition was impaired in fiscal 2019.

Loan receivable as at December 31, 2017 represents the loan to Pure at an interest rate of Alberta Treasury Branch prime rate plus 0.5%, compounding annually, in exchange for an option to acquire all or a portion of the issued and outstanding shares of Pure. In fiscal 2018, the Company suspended the operations of the Pure clinic on an indefinite basis and the loan receivables were written off.

Long-term obligations

As at December 31, 2019 long-term obligations consist of lease liability, loan payable and convertible debentures.

As at December 31, 2018 and 2017 long-term obligations consisted of deferred tax liability.

As at December 31, 2019 the long-term portion of lease liability was \$3.2 million. The addition of the lease liability relates to the application of the IFRS 16 Leases standard on January 1, 2019. The balance reflects the discounted future lease payments. The standard was applied on a modified retrospective basis from January 1, 2019 with no restatement of comparatives as permitted under the specific transitional provisions in the standard. The deferred lease inducement balances were eliminated with the application of the new standard.

During the year ended December 31, 2019, the Company issued \$0.05 million and \$0.1 million of unsecured convertible debentures, subordinate to senior debt, that matured on August 2021 and October 2021 respectively. The debentures bear interest at 10% per annum with interest accrued due at the end of the term. The debentures are convertible at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a Qualified Financing or Liquidity Event. The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice.

See the section "Liquidity and capital resources" for more detail.

Shareholder's deficiency

The Company is authorized an unlimited number of Class A shares, an unlimited number of Class B shares, an unlimited number of Class C Preferred shares issuable in series and an unlimited number of Class D shares, issuable in series. As at December 31, 2019 there are 3,224 Class A common shares issued and outstanding. All 3,224 Class A common shares are held by Cura-Can Health Corp. As at December 31, 2019 the Company had 3,000,000 stock options outstanding with a weighted average exercise price of \$1.00. As at December 31, 2018 there are 3,224 Class A common shares issued and outstanding. All 3,224 Class A common shares are held by Cura-Can Health Corp. As at December 31, 2018 the Company had no stock options outstanding.

Shareholder's deficiency decreased by \$6.1 million from December 31, 2018 to December 31, 2019 is primarily due to the \$6.7 million net loss, \$0.5 million stock option expense and \$0.1 million proportionate investment in 10030712 Manitoba Ltd. Shareholders' deficiency decreased by \$1.7 million from December 31, 2017 to December 31, 2018 is primarily due to the \$1.9 million net loss, \$0.1 million related to the non-controlling interest.

Liquidity and capital resources

Liquidity risk

Due to related parties

As at December 31, 2019 the Company had \$6.7 million owing to related parties (2018 - \$3.2 million; 2017 - \$0.8 million), of which \$6.5 million was owing to Cura-Can (2018 - \$3.1 million; 2017 - \$0.8 million). These amounts are non-interest bearing and have no set repayment terms.

Credit facility with related party

In March of 2019, the Company entered into a debt facility agreement with our parent company, Cura-Can. The facility is unsecured and carries a coupon of 10%, compounded monthly. The credit facility is being used to fund our operations. At December 31, 2019 there was \$5.1 million in principal and \$0.2 million in interest outstanding on the credit facility.

The credit facility matures March 1, 2021 and may be repaid at any time at the option of the Company. If not repaid prior to February 28, 2020, a repayment fee is added to the principal balance outstanding. The repayment fee is equal to one half of the outstanding principal and accrued interest at February 28, 2020, plus interest that would have accrued if the repayment fee had been applied at the start of the loan. At December 31, 2019, the Company expected to repay the credit facility prior to February 28, 2020, and thus did not accrue for the repayment fee.

The Company did not repay this credit facility prior to February 28, 2020. As such, a repayment fee of \$3.2 million was added to the principal balance of the credit facility as at February 29, 2020. Subsequent to year end, the Company has also drawn an additional \$0.9 million of financing on our credit facility with a related party to fund the operating losses of the Company and support expansion of operations.

The Company also issued a guarantee in respect of the credit facility granted to Cura-Can. At December 31, 2019, the maximum amount the Company is exposed to under this guarantee is approximately \$12.7 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. In addition, the Company has provided a general security agreement as collateral for the loan. The credit facility matures March 1, 2021.

Subsequent to year end, Cura-Can amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As such, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees.

Convertible debentures

As at December 31, 2019 convertible debentures were \$0.2 million. During the year ended December 31, 2019, the Company issued \$0.05 million and \$0.1 million of unsecured convertible debentures, subordinate to senior debt, that matured on August 2021 and October 2021 respectively. The debentures bear interest at 10% per annum with interest accrued due at the end of the term. The debentures are convertible an amount equal to 75% of the price of deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a qualified financing or liquidity event. A liquidity event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the board of directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at fair value through profit and loss ("FVPL") on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

Unsecured Convertible Debentures

From November 2020 to January 2021, the Company issued \$2.3 million of unsecured convertible debentures. The unsecured convertible debentures mature 12 months after issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway Health Corp. ("Pathway") shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

Senior secured notes

Subsequent to year-end, the Company entered into agreements for the issuance of \$0.7 million (\$0.6 million net of loan fees) in senior secured notes (the "Series I Notes"), including \$0.4 million with related parties. In October 2020, the Company amended the agreement and issued an additional \$0.3 million (\$0.28 million net of loan fees) in senior secured notes (the "Series II Notes"), including \$0.19 million with related parties.

The Notes bear coupon interest at a rate of 20% per annum, payable in arrears on maturity and monthly thereafter. In addition, an exit fee equal to 5% of the principal and interest outstanding is payable at the earlier of the maturity date or date of repayment.

The Series I Notes mature at dates ranging from April 15 - June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity, the Notes are due on demand. The Notes may be repaid within 90 days of issuance subject to either: (a) the consent of two-thirds of the note holders, or (b) payment of the principal outstanding plus the equivalent of three months interest and the exit fee. After this time, the Notes

may be repaid at the option of the Company. The Series II Notes must be repaid and fully satisfied prior to any prepayment or repayment of the Series I Notes.

The Notes are secured by a general security agreement and rank senior to the Company's convertible credit facility.

Liquidity risk is the risk that the Company may encounter difficulties in meeting our financial liability obligations as they become due. The Company has planning and budgeting processes in place to help determine the funds required to support our normal operating requirements on an ongoing basis. Since inception, the Company has financed our cash requirements primarily through issuances of long-term debt and funds from operations. The Company controls liquidity risk through management of working capital, cash flows, and sourcing of funding.

The purpose of liquidity management is to ensure that there is sufficient cash to meet all of our financial commitments and obligations as they come due. The consolidated financial statements for the year ended December 31, 2019 have been prepared on a going concern basis, which assert that the Company has the ability in the near term to continue to realize our assets and discharge our liabilities and commitments. The Company has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, our ability to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps the Company is taking will be successful.

Cash flows

	For the year ended December 31,			2019/2018		2018/2017	
	2019	2018	2017*	Change \$	Change %	Change \$	Change %
Cash flows provided by (used in):							
Operating activities	\$ (4,053,477)	\$ (1,162,258)	\$ (407,648)	\$ (2,891,219)	(249%)	\$ (754,610)	185%
Financing activities	7,973,771	1,193,942	439,826	6,779,829	568%	754,116	1.714578
Investing activities	(3,510,389)	(38,490)	-	(3,471,899)	(9020%)	(38,490)	n/a
Net increase (decrease) in cash	\$ 409,905	\$ (6,806)	\$ 32,178	\$ 416,711	(6123%)	\$ (38,984)	(121%)

*represents 304 days

At December 31, 2019 the Company had a cash balance of \$0.4 million (2018 - \$0.03 million; 2017 - \$0.03 million).

The cash outflow from operating activities for the year ended December 31, 2019 is a result of a \$6.7 million net loss offset by \$2.0 million in non-cash expenses and \$0.6 million inflow from working capital. The cash outflow from operating activities for the year ended December 31, 2018 are a result of \$1.9 million net loss, \$0.05 million working capital net outflow, offset by \$0.8 million in non-cash expenses. The cash outflow from operating activities for the 304 days ended December 31, 2017 is a result of a \$1.3 million net loss offset by \$0.7 million in non-cash expenses and \$0.2 million inflow from working capital.

The cash inflow from financing activities for the year ended December 31, 2019 are mainly from \$5.1 million proceeds from the credit facility with related party, \$3.4 million net advances from related parties and \$0.2 million proceeds from convertible debentures. This is offset by \$0.5 million repayment of the lease liability and \$0.4 million of interest paid. The cash inflow from financing activities for the year ended December 31, 2018 consisted of \$1.2 million net advances from related parties. The cash inflow from financing activities for the 304 days ended December 31, 2017 consisted of \$0.4 million net advances from related parties.

The \$3.5 million outflow in investing activities for the year ended December 31, 2019 relates to \$3.4 million of funds used in acquisitions and \$0.1 million purchase of property and equipment. The \$0.04 million in cash used in investing activities for the year ended December 31, 2018 was used for the acquisition of 9937340 Canada Inc.

Contractual obligations and commitments

As of December 31, 2019, and in normal course of business, the Company has the following obligations to make future payments, representing contracts and other commitments that are known and committed.

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	1,047,850	-	-	1,047,850
Due to related parties	6,656,304	-	-	6,656,304
Credit facility with related party	5,815,645	-	-	5,815,645
Lease liability	863,072	3,059,464	1,180,015	5,102,551
Loan payable	1,079	3,236	-	4,315
Convertible debentures	-	181,500	-	181,500
	14,383,950	3,244,200	1,180,015	18,808,165

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

The maturity date for the Company's credit facility with related party is March 1, 2021; however, the credit facility has been included in 'due within one year' in the above table because, as at December 31, 2019, the Company expected to repay the credit facility prior to February 28, 2020 (see "Liquidity and capital resources" section).

The contractual cash flows included in the above table for the Company's convertible debentures represent repayment of principal and interest on maturity as exercise of conversion options is unknown.

Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by their parent, key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balance and transactions between the Company and their subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Due to related parties

Related party balance consists of amounts owing from related parties:

	December 31, 2019	December 31, 2018	December 31, 2017
Due from Natural Health Services, a subsidiary of Cura-Can	\$ 70,000	\$ -	\$ -

Related party balance consists of amounts owing to related parties:

	December 31, 2019	December 31, 2018	December 31, 2017
Due to Cura-Can	\$ 6,591,885	\$ 3,114,010	\$ 785,694
Due to key management	64,419	54,054	200
	<u>\$ 6,656,304</u>	<u>\$ 3,168,064</u>	<u>\$ 785,894</u>

The amounts above are non-interest bearing and do not have set payment terms. In addition to the above,

the Company's credit facility is due to Cura-Can (see "Liquidity and capital resources" section).

Other related party transactions

The Company issued a guarantee to a company that is a significant shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can (see "Liquidity and capital resources" section). At December 31, 2019, the maximum amount the Company is exposed to under this guarantee is approximately \$12.7 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. In addition, the Company has provided a general security agreement as collateral for the loan. The credit facility matures March 1, 2021.

Subsequent to year-end, Cura-Can amended the terms of its credit facility and the maximum amount the Company is exposed to increased (see "Liquidity and capital resources" section).

In February 2019, the Company transferred accounts receivable balances of \$0.1 million to Cura-Can to partially repay its indebtedness owed by the Company.

In November 2019, Cura-Can entered into a secured convertible promissory note with a Cura-Can shareholder in the principal amount of \$1.15 million. The secured note bears interest at 10% and matures August 5, 2020, after which time the amount outstanding becomes due on demand. The Cura-Can shareholder may elect to convert the indebtedness into common shares of the Company if the right to convert is exercised immediately prior to a liquidity event. The conversion price is 90% of the market price established through such liquidity event. Subsequent to year-end, this secured convertible promissory note was assigned to the Company (see "Subsequent events" section).

In December 2019, Cura-Can entered into a business combination in which consideration transferred included common shares of Cura-Can that may be exchanged into common shares of the Company, at the Vendor's option, when a liquidity event occurs. The number of common shares of the Company that may be issued in exchange for Cura-Can shares is based on the percentage of Cura-Can shares held by the Vendor at the date of notice of the liquidity event.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the year and period are as follows:

	For the three months ended December 31,			For the year ended December 31,		
	2019	2018	2017	2019	2018	2017
Consulting fees	\$ -	\$ 31,814	\$ 91,804	\$ 30,000	\$ 120,000	\$ 100,000
Compensation	211,423	-	-	908,770	-	-
Share-based compensation	170,208	-	-	516,176	-	-
	<u>\$ 381,631</u>	<u>\$ 31,814</u>	<u>\$ 91,804</u>	<u>\$ 1,454,946</u>	<u>\$ 120,000</u>	<u>\$ 100,000</u>

Financial instruments

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities, amounts due to related parties, loan payable and credit facility with related party approximates fair value due to the short-term nature.

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfill their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables receivable. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. In 2018, the Company recorded write offs of \$nil trade and other receivables; \$0.3 million of loan receivable based on the likelihood of collection. In 2019, the Company had write offs of \$nil trade and other receivables and \$nil of loan receivables.

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at December 31, 2019 of \$0.5 million. The Company's allowance for doubtful accounts as at December 31, 2019 is \$0.1 million. As at December 31, 2019 the percentages of past due trade accounts receivable were as follows: 8.5% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. As at December 31, 2019, there was one customer that comprised of 60% of consolidated sales. This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

Foreign currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Off Balance Sheet Arrangements

At December 31, 2019, 2018 and 2017, the Company did not have any off balance sheet arrangements to disclose.

Accounting pronouncements

The accounting policies applied are consistent with the significant accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2019. These policies have been consistently applied to all periods presented except for the adoption of IFRS 16 on January 1, 2019.

New standards adopted as at January 1, 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The new Standard has been applied using the modified retrospective approach. There was no impact to the Company's opening deficit. Prior periods have not been restated.

The adoption of this new Standard has resulted in the Company recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Company has elected not to reassess leases in accordance with IAS 17 and were considered leases according to IFRS 16.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS, being January 1, 2019. At this date, the Company has also elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 10%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments disclosed in Note 19 of the Company's December 31, 2018 consolidated financial statements to the lease liabilities recognized at January 1, 2019.

Total operating lease commitments disclosed at December 31, 2018	\$	937,110
Exercised renewal option on location		21,675
Variable lease payments not recognized		(265,971)
Operating lease commitments before discounting		692,814
Discounted using incremental borrowing rate		(103,160)
Total lease liability recognized on transition to IFRS 16	\$	589,654

The application of IFRS 16 required significant judgments and estimations to be made. Areas that require judgment include identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in substance fixed, establishing whether there are multiple leases in an arrangement and for certain leases, determining the stand-alone selling price for lease and non-lease components. Other sources of estimation uncertainty in the application of IFRS 16 include estimating the lease term, determining the appropriate discount rate to apply to lease payments and assessing whether a right-of-use asset is impaired.

Lease policy applicable from January 1, 2019

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to

control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and/or; (iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company presents right-of-use assets in property and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability may be compromised of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price under purchase option that the Company is reasonably certain to exercise; (v) lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and (vi) penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of loss. Lease payments for short-term leases and for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

Critical accounting estimates

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

On the completion of an acquisition, management's judgement is required to determine if a business or an asset has been purchased, estimate the purchase price and to identify and to fair value all the assets and liabilities required. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party

valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income tax

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

f) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

g) Share-based compensation

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair value at the date of grant. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in assumptions can significantly affect the fair value estimate.

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

j) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available), warrants and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

k) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses on the adoption of IFRS 9. Actual collectability of customer balances can vary from the Company's estimation.

b) Impairment of non-financial assets

The Company tests property, plant and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property, plant and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances discussed in Note 3(p) of the December 31, 2019 consolidated financial statements.

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

Non-IFRS financial measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

Working capital is a non-IFRS measure calculated as current assets less current liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time.

Gross margin is a non-IFRS measure calculated as revenue less cost of licensing fees, consultants, cost of goods sold and clinic and medical supplies. Gross margin should not be construed as an alternative for

revenue or net loss determined in accordance with IFRS. The Company believes that gross margin is a meaningful metric in assessing the Company's financial performance and operational efficiency.

Legal claim contingencies

The Company, amongst others are defendants in an action in the Ontario Superior court of Justice. A former employee of the Company is claiming wrongful dismissal and is seeking damages of \$0.4 million, transfer of 200,000 shares in Cura-Can and an unquantified amount of reimbursement of legal fees. To date, discovery and the exchange of relevant non-privileged documents have not yet taken place. The Company has accrued \$0.05 million for any potential claims.

Claims made related to events subsequent to year end:

On January 11, 2021, the Company was served with an action in the Ontario Superior Court of Justice by a former employee. The employee is claiming he was wrongfully dismissed in fiscal 2020 and is seeking damages in the amount of \$0.6 million and an unquantified amount of special damages. Management plans to defend itself accordingly. The Company has accrued \$0.1 million for any potential claims in fiscal 2020.

The Company received letters dated January 11, 2021 addressed to TCNC and Natural Health Services Ltd. ("NHS"), a wholly owned subsidiary of Cura-Can. A Landlord for two units under lease by NHS has made a demand for payment of arrears of rent related to fiscal 2020 and 2021 in the amount of \$0.3 million. The Company had previously signed a Guarantee and Indemnity Agreement to unconditionally guarantee any and all obligations of the tenant (NHS) under the lease agreement. Management is preparing a defence. The Company has accrued \$0.4 million for any potential claims under this guarantee.

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

Risk Factors

Prior to making an investment decision, investors should consider the investment risks set forth below, as well as other information contained in the MD&A. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct the business, changes in health care laws and governmental regulations, and various other factors may significantly impact the ability of the Company's ability to generate revenues. Certain significant expenditures including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate its clinics, regardless of whether the Company is generating revenue.

Unfavorable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis medicinal therapies. Medicinal cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the

use of medical marijuana may have a material adverse effect on the Company (and the Company's subsidiaries) operational results, consumer base and financial results.

Patient Acquisitions

The Company's success depends on its ability to attract and retain patients. There are many factors which could impact the Company's ability to attract and retain patients, including but not limited to the successful implementation of the Company's patient-acquisition plans and the continued growth in the aggregate number of patients selecting medical marijuana as a treatment option. The Company's failure to acquire and retain patients as clients would have a material adverse effect on the Company's (and its subsidiaries) business, operating results and financial condition.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing, and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Growth Management

The Company plans to grow rapidly and significantly expand its operations. This growth will place a significant strain on management systems and resources. The Company will not be able to implement our business strategy in a rapidly evolving market, without an effective planning and management process. To date, the Company has implemented some managerial, informational, operational and financial systems and controls, however, there can be no assurance these systems and controls will be adequate. The Company may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third-party relationships the Company has, as its systems, procedures or controls may not be adequate to support increased operations and management may be unable to manage growth effectively. To manage the planned growth, the Company will be required to significantly improve or replace existing managerial, informational, financial and operational systems, procedures and controls, and to expand, train and manage its intended growing base of personnel. The Company may also be required to expand its finance, administrative and operations staff. The Company may be unable to complete in a timely manner the improvements to its systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

Acquisitions and integration of new businesses create risks and may affect operating results

The Company may acquire additional businesses. The Company's M&A strategy involves a number of risks related to the realization of synergies and overall integration of the Company's operations, including but not limited to, human resources, company culture, product/service pricing, information technology, data integrity, information systems, business processes and financial management. COVID-19 may affect the ability of the Company to find new attractive acquisition opportunities and/or could impact the Company's ability to execute on the integration of pending acquisition opportunities.

Insufficient Insurance Coverage

The Company maintains insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions

and may not be available for the risks and hazards to which the Company may be exposed. The Company may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that have a material adverse effect upon the Company's financial performance and results of operations.

Dependence upon Key Management Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants (the "Key Personnel"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Reliance on Physicians and Other Healthcare Professionals

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future due to any sort of reason including infection due to COVID-19, this would cause interruptions in the Company's business until mitigated accordingly. As such, vacancies and disabilities relating to the Company's medical staff may cause interruptions in Company's business and result in lower revenues. As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Operational Dependence

The Company relies heavily on third parties such as its IT service provider, Licensed Producer partners and medical supply vendors to provide some of its goods and services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such goods and services, the Company would need to obtain such goods or services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these goods and services are replaced if possible.

Development and sale of new products

The Company may not be able to successfully develop new products or find a market for their sale. The medical and non-medical cannabis industries are in their early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by us. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authorities, which may take significant amounts of time and entail significant costs. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory

approval processes, may have a material adverse effect on our business, financial condition and operations.

Product Liability

The Company intends to develop and launch health products, some of which may be classified by Health Canada as Schedule 2 drugs (with prescription) and Schedule 3 over the -counter (no prescription). Should the Company become a distributor of products, it faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Branding and advertising restrictions

Restrictions on branding and advertising may negatively impact the Company's ability to attract and retain customers. The Company's success depends on their ability to attract and retain patients and customers. *The Cannabis Act* strictly regulates the way cannabis is packaged, labelled, and displayed. The associated provisions are quite broad and are subject to change. It is currently prohibited to use testimonials and endorsements, depict people, characters and animals and produce any packaging that may be appealing to young people. The restrictions on packaging, labelling, and the display of our cannabis products may adversely impact our ability to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This may ultimately have a material adverse effect on business, financial conditions and operations.

Health impacts on cannabis use

There may be unknown health impacts associated with the use of cannabis and cannabis derivative products. There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using cannabis and cannabis derivative products. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Cybersecurity

The Company relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. As a result, the Company and/or its patients are exposed to risks related to cybersecurity. Such risks may include unauthorized access, use, or disclosure of sensitive information (including confidential patient health records), corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware).

Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked. The Company's operations depend, in part, on how well it protects networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to damage to hardware, computer viruses, hacking and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

A compromise of the Company's information technology or confidential information, or that of the Company's patients and third parties with whom the Company interacts, may result in negative consequences, including the inability to process patient transactions, reputational harm affecting patient and/or investor confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on the Company's business, financial position, results of operations or cash flows. As the Company has access to sensitive and confidential information, including personal information and personal health information, and since the Company may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees), there is a risk that sensitive and confidential information, including personal information and personal health information, may be disclosed through improper use of the Company's systems, software solutions or networks or that there may be unauthorized access, use, disclosure, modification or destruction of such information. The Company's on-going risk and exposure to these matters is partially attributable to, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, malfunction, human error, technological error or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of patients of the Company and specifically their medical histories. There can be no assurance that the Company's policies, procedures and systems will be sufficient to address the privacy concerns of existing and future patients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a patient's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Litigation

The Company may become party to litigation from time to time in the ordinary course which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such decision could adversely affect the Company's ability to continue operating and the value of the Company Shares and require the Company to devote significant resources to such matters.

Government Regulation

The Company's operations may be subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in the imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all governmental laws and regulations. The Licensed Producers that provide medical marijuana to the Company's patients will be subject to various federal, provincial and municipal laws relating to the ACMPR in Canada. While

there are currently no indications that the Company requires approval from Health Canada, such approval may ultimately be required. There can be no assurance that changes in the laws and regulations will not have an adverse effect on the Company's business.

The current and future operations of the Company are and will be governed by the laws and regulations governing the health care industry, labour standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing operations and activities of health clinics, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or costs, or reduction in levels of its medical services.

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's business operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including all matters relating to COVID-19, the number and size of acquisitions consummated (if any), rate of growth of its client base, the cost of expanding into new markets (if any), the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture. There can be no assurance that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Company and the price of the Company's securities could be adversely affected.

COVID-19 Pandemic and Other General Risks Related to Catastrophic Events

Catastrophic events in general can have a material impact on the potential continuity of the Company's business. The continued spread of COVID-19 globally could adversely affect the Company's patient care and clinic operations, as healthcare providers may have heightened exposure to COVID-19 if an outbreak occurs in their geography. The Company's ability to provide health care services may be adversely affected or disrupted as a result of changing patient intake patterns and needs as well as reduced availability of physicians and/or support staff. Further, the COVID-19 outbreak could result in adverse effects on the Company's business and operations due to prioritization of clinic resources toward the outbreak or if quarantines and/or restrictions (such as travel restrictions) impede physician, staff or patient movement or interrupt healthcare services.

The Company relies on third-party service providers to assist them in managing, monitoring and otherwise carrying out aspects of its business and operations, and the outbreak may affect their ability to devote sufficient time and resources to the business. The third-party contract supplier organizations' ability to deliver required medical and other supplies, such as personal protective equipment, on a timely basis, may also be limited or affected materially. Such events may result in a period of business disruption, reduced operations, any of which could materially affect the Company's business, financial condition and results of operations. The Company's ability to serve patients remotely via telehealth services could be affected by technology vulnerabilities and/or glitches that could impede the ability for physicians and patients to access and/or utilize the software reliably.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect liquidity.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Company's business, operations and financial performance will depend on future developments, including but not limited to, matters such as (a) the duration and/or severity of the outbreak, (b) government policies, restrictions and requirements as it relates to social distancing, forced quarantines and other requirements, (c) nongovernmental influences or challenges such as the failure of banks and/or (d) any kind of ripple effect caused by the substantial economic damage that can be inflicted on society by a pandemic like COVID-19 such as lawlessness. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence. Societal functions are not expected to return to normal until a vaccine is widely available to the public. This is not expected to occur until sometime in 2021.

Subsequent events

Management Agreement with Natural Health Services

As of January 1, 2020, the Company entered into a Management Agreement with Natural Health Services ("NHS"), a subsidiary of Cura-Can, to provide administrative, accounting, financial, project management and evaluation of projects services. This agreement was terminated on November 24, 2020.

National Access Cannabis Medical

On March 6, 2020, the Company acquired certain assets from National Access Cannabis Medical ("NACM") for the aggregate purchase price of \$1.2 million including a convertible note of \$0.2 million and a maximum earn-out bonus of \$1.0 million. The Company completed the acquisition for the purpose of obtaining the standard operating protocols related to the Medical Cannabis Management System ("MCMS"). MCMS was designed to be implemented in retail pharmacies, with the overarching goals of providing access points for medical cannabis care and enabling pharmacists to offer medical cannabis assessments to appropriate pharmacy patients.

The convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company's option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no such event occurs prior to maturity, the note shall be paid in cash.

The earn-out bonus of up to \$1.0 million is determined based on performance in each of the three years after closing and payable in common shares. The contingent payment of \$1.0 million was recorded at its estimated fair value of \$0. This was determined considering the probability that NACM would earn revenues above the levels that triggers additional payment.

The asset acquired in this transaction did not qualify as a business according to the definition of IFRS 3, *Business Combinations*. Accordingly, it was treated as an acquisition of an asset (MCMS - standard operating procedures) which is a key component necessary to expand the Company's initiatives with pharmacies. The intangible asset was valued at the consideration paid of \$0.2 million.

National Access Canada Corporation ("NACC") and Meta Growth Corp

On June 26, 2020, the Company acquired additional assets and operations from National Access Canada Corporation ("NACC") and its sole shareholder, Meta Growth Corp., for the aggregate purchase price of \$0.8 million, including cash of \$0.5 million and a maximum earn-out bonus of \$0.3 million.

The earn-out bonus of up to \$0.3 million is determined based on performance in the first 12 months after closing and payable in common shares, if the Company's shares are listed on a public exchange within 12 months of closing, or cash. The acquisition was considered a business under the definition of IFRS 3, *Business Combinations*. On acquisition, the probability fair value of the contingent consideration was estimated to be \$0.21 million, based on the Company's estimate of the performance targets being achieved. The fair value of the consideration transferred \$0.71 million (\$0.5 million in cash and \$0.21 million contingent consideration), was allocated to the fair value of identifiable assets: \$0.3 million for the customer list and \$0.07 million for the brand value. The remaining \$0.3 million was allocated to goodwill.

Nature Medic Inc

On April 28, 2020, the Company entered into a memorandum of understanding ("MOU") with Nature Medic Inc ("NMI") in which the Company and NMI entered into an interim service agreement leading to the potential purchase of the assets of NMI.

Under the MOU, NMI assisted the Company in the development of telemedicine and clinic services in Quebec to support and deliver on the Company's national contracts for medical cannabis, including preferred licensed producer relationships. NMI provided the services through its physician, nursing and support staff at its Quebec clinic and conducted telemedicine services. In exchange for services provided, the Company paid \$0.07 million for NMI's operating expenses and received all patient and licensed seller revenue associated with the services.

On August 31, 2020, the Company acquired the assets of NMI for the purchase price of \$0.4 million, including contingent consideration of \$0.05 million. Consideration transferred included cash of \$0.1 million and an unsecured non-interest bearing 12-month convertible promissory note.

The acquisition was considered a business under the definition of IFRS 3, *Business Combinations*. The fair value of the consideration transferred \$0.3 million (\$0.1 million in cash and \$0.2 million deferred acquisition cost) was allocated to the fair value of identifiable assets consisting of \$0.1 million for the brand value, \$0.08 million of right-of-use asset, offset by the related \$0.08 million lease liability. The remaining \$0.2 million was allocated to goodwill.

Natural Health Services Ltd.

On November 24, 2020, TCNC purchased specific assets of Natural Health Services Ltd. (“NHS”), a wholly owned subsidiary of Cura-Can, in exchange for a non-interest-bearing demand promissory note for an amount equal to \$0.2 million. Based on a preliminary analysis by management, the identified assets acquired are primarily intangibles and shares in the capital of 1964433 Alberta Ltd.

Credit facility

The Company’s credit facility was not repaid prior to February 28, 2020. As a result, a repayment fee equal to \$3.2 million was added to the principal balance of the credit facility as at February 29, 2020. The repayment fee will be recognized in profit or loss in 2020. Subsequent to December 31, 2019, the Company drew an additional \$0.9 million of financing on its credit facility with a related party to fund the operating losses of the Company and to support expansion of the operations.

Senior secured notes

Subsequent to year-end, the Company entered into agreements for the issuance of \$0.7 million (\$0.6 million net of loan fees) in senior secured notes (the “Series I Notes”), including \$0.4 million with related parties. In October 2020, the Company amended the agreement and issued an additional \$0.3 million (\$0.28 million net of loan fees) in senior secured notes (the “Series II Notes”), including \$0.2 million with related parties.

The Notes bear coupon interest at a rate of 20% per annum, payable in arrears on maturity and monthly thereafter. In addition, an exit fee equal to 5% of the principal and interest outstanding is payable at the earlier of the maturity date or date of repayment.

The Series I Notes mature at dates ranging from April 15 - June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity, the Notes are due on demand. The Notes may be repaid within 90 days of issuance subject to either: (a) the consent of two-thirds of the note holders, or (b) payment of the principal outstanding plus the equivalent of three months interest and the exit fee. After this time, the Notes may be repaid at the option of the Company. The Series II Notes must be repaid and fully satisfied prior to any prepayment or repayment of the Series I Notes.

The Notes are secured by a general security agreement and rank senior to the Company’s guarantee of its parent company debt.

On December 31, 2020, the Company paid \$0.26 million in principal and \$0.02 million in interest and exit fees to certain holders of the Series II Notes.

Guarantees

Subsequent to year-end, the Company’s parent (Cura-Can) amended the terms of its credit facility to increase the maximum amount that may be drawn under the facility. As a result, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees. The facility matures March 1, 2021.

Convertible Promissory Note Assignment

Cura-Can entered into a Secured Convertible Promissory Note (“Hew Note”) dated November 5, 2019 for a principal amount of \$1.15 million with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can’s obligations under the Hew Note for principal payments of \$1.15 million and \$0.1 million in accrued interest in exchange for a reduction of TCNC’s amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to

extend the maturity date to June 30, 2021. The Hew Note is convertible into Class A Common Shares of TCNC at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to liquidation event, qualified financing or change of control.

COVID -19

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Although the duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, the Company was forced to take steps to ensure the safety of patients, staff, and their families, as well as mitigate the financial impact from this pandemic. The Company, its subsidiaries, and its affiliate company (NHS) are moving to serve its patients through telemedicine where it is appropriate. In addition, the Company, its subsidiaries and affiliate company were forced to close corporate offices and certain of its clinics, and temporary layoff approximately 30% of its employees and contractors, as well as, reduce hours of staff.

Qualifying Transaction

Subsequent to year-end, the Company engaged a large independent Canadian investment bank to act as agent for a private placement offering through a newly incorporated federal company Pathway Health Corp. ("Pathway"). The private placement of subscription receipts is intended to raise gross proceeds of at least \$10.0 million with an over-allotment option of \$1.5 million (the "Subscription Offering"). The Subscription Offering will consist of subscription receipts of Pathway (the "Subscription Receipts") at a price of \$0.50 per Subscription Receipt. Each Subscription Receipt will automatically convert, upon the satisfaction of certain conditions, without additional payment, into one unit of Pathway (each a "Unit"). Each Unit will consist of one Pathway Share and one half of one share purchase warrant (each whole warrant, a "Pathway Warrant"). Each Pathway Warrant will be exercisable to acquire one Pathway Share for a period of 24 months from the escrow release date at an exercise price of \$0.75 per Pathway Warrant. The Agent will be paid a commission of 8% of the aggregate gross proceeds (the "Cash Commission") as well as non-transferable broker warrants (the "Broker Warrants") equal to 8% of the Subscription Receipts sold. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at the at an exercise price of \$0.50 per Broker Warrant. In addition, the Agent will receive a corporate finance fee of \$0.15 million.

On January 18, 2021, Pathway entered into an asset and share purchase agreement ("Asset and Share Purchase Agreement") with the Company, for purchase of all or substantially all of the operating assets of the Company ("Asset Acquisition Transaction"). The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement was consisted of \$4.9 in a non-interest bearing demand promissory note and 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities totalling \$5.0 million.

In addition, Cura-Can has entered into a letter of intent with a capital pool company (the "CPC") whose shares are listed on the NEX board of the TSX Venture Exchange under which the CPC is expected acquire all the issued and outstanding securities of Pathway (the "RTO Transaction"). The RTO Transaction together with the Asset Acquisition Transaction is expected to constitute a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

Unsecured Convertible Debentures

From November 2020 to January 2021, the Company issued unsecured convertible debentures of \$2.3 million. The unsecured convertible debentures mature 12 months after issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

Schedule “E”
AUDITED FINANCIAL STATEMENTS OF PATHWAY FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2021 AND THE PERIOD COMMENCING ON SEPTEMBER 18, 2020 TO DECEMBER 31,
2020

Pathway Health Corp.

Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period
from the date of incorporation on September 18, 2020 to December 31,
2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

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To the Shareholders of
Pathway Health Corp.

Qualified Opinion

We have audited the consolidated financial statements of Pathway Health Corp. ("the Company"), which comprise the consolidated statement of financial position as at March 31, 2021 and December 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the three month period ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pathway Health Corp. as at March 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the three month period ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

We were not appointed as auditors for the Company's March 31, 2021 period end until subsequent to period end and thus did not observe the counting of physical inventories as at March 31, 2021. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at March 31, 2021. As a result of this matter, we were unable to determine whether any adjustments might be necessary to inventory as at March 31, 2021 and cost of sales, consolidated net loss and comprehensive loss and consolidated cash flows from operations for the 3 month period then ended.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$1,053,868 and had negative cash from operations of \$748,008 for the three month period ended March 31, 2021. and as of that date, current liabilities exceeded current assets by \$35,684,484. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada
May 31, 2021



Chartered Professional Accountants

Pathway Health Corp.
Consolidated Statement of Financial Position
As at March 31, 2021 and December 31, 2020

	Note	March 31, 2021	December 31, 2020
Assets			
Current			
Cash		\$ 523,365	\$ 588
Accounts and other receivables	5	1,619,992	34,771
Deferred share issuance cost	17(a)	931,755	-
Inventory	6	294,256	-
Prepays		96,868	-
		<u>3,466,236</u>	<u>35,359</u>
Due from related parties	12	358,879	-
Property and equipment	7	3,607,094	-
Intangible assets	8	1,406,562	-
Goodwill	9	563,129	-
		<u>5,935,664</u>	<u>-</u>
Total assets		<u>\$ 9,401,900</u>	<u>\$ 35,359</u>
Liabilities and Shareholders' deficiency			
Current			
Accounts payable and accrued liabilities	10	\$ 2,632,722	\$ 379,568
Current portion of lease liability	11	559,425	-
Convertible debt	15	4,413,020	-
Due to related parties	12	112,603	30,296
Promissory note due to related party	12	4,855,301	-
Bridge notes	14	758,294	-
Redeemable preferred shares	17	25,819,355	-
		<u>39,150,720</u>	<u>409,864</u>
Lease liability	11	2,700,259	-
Government loan payable	13	59,504	-
		<u>2,759,763</u>	<u>-</u>
Total liabilities		<u>41,910,483</u>	<u>409,864</u>
Shareholders' deficiency			
Share capital	17	75,001	1
Contributed surplus		(31,381,329)	-
Equity component of convertible debenture	15	66,508	-
Deficit		(1,402,279)	(374,506)
Non-controlling interest		133,516	-
		<u>(32,508,583)</u>	<u>(374,505)</u>
Total liabilities and shareholders' deficiency		<u>\$ 9,401,900</u>	<u>\$ 35,359</u>

The accompanying notes are an integral part of these consolidated financial statements.

Pathway Health Corp.

Consolidated Statement of Loss and Comprehensive Loss

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

	Note	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Revenue	19	\$ 2,628,207	\$ -
Cost of sales			
Consultants		956,977	-
Cost of goods sold		147,356	-
Clinic and medical supplies		88,387	-
Total cost of sales		1,192,720	-
Gross margin		1,435,487	-
Selling, general and administrative expenses	20	2,318,149	374,506
Loss before other items		(882,662)	(374,506)
Other items			
Finance expense	21	92,325	-
Amortization of intangible assets	8	31,660	-
Share-based compensation	17(b)	96,779	-
Gain on remeasurement of contingent consideration	10	(24,000)	-
Government grant	13	(25,558)	-
		171,206	-
Loss before income taxes		(1,053,868)	(374,506)
Income tax (recovery) expense		-	-
Net loss and comprehensive loss		(1,053,868)	(374,506)
Net loss attributable to:			
Shareholders		(1,027,773)	(374,506)
Non-controlling interest		(26,095)	-
		\$ (1,053,868)	\$ (374,506)
Basic and diluted loss per share	18	\$ (0.02)	\$ (374,506)
Weighted average shares outstanding			
Basic and diluted	18	41,335,969	1
Diluted	18	41,335,969	1

The accompanying notes are an integral part of these consolidated financial statements.

Pathway Health Corp.

Consolidated Statement of Changes in Shareholders' Deficiency

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

	Note	Share Capital Number	Share Capital Amount	Contributed Surplus	Equity component of convertible debenture	Deficit	Total	Non-Controlling Interest	Total Deficit
Balance, September 18, 2020		-	\$ -	-	-	\$ -	\$ -	-	\$ -
Shares issued		1	1	-	-	-	1	-	1
Net loss and comprehensive loss		-	-	-	-	(374,506)	(374,506)	-	(374,506)
Balance, December 31, 2020		<u>1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (374,506)</u>	<u>\$ (374,505)</u>	<u>\$ -</u>	<u>\$ (374,505)</u>
Balance, January 1, 2021		1	\$ 1	\$ -	\$ -	\$ (374,506)	\$ (374,505)	\$ -	\$ (374,505)
Proportionate investment in 10030712 Manitoba Ltd.		-	-	-	-	-	-	39,244	39,244
Business combination under common control	4, 17(a)	-	-	(31,478,108)	-	-	(31,478,108)	120,367	(31,357,741)
Common share issuance	17(a)	150,000	75,000	-	-	-	75,000	-	75,000
Share-based compensation	17(b)	-	-	96,779	-	-	96,779	-	96,779
Equity component of convertible debenture	15	-	-	-	66,508	-	66,508	-	66,508
Net loss and comprehensive loss		-	-	-	-	(1,027,773)	(1,027,773)	(26,095)	(1,053,868)
Balance, March 31, 2021		<u>150,001</u>	<u>\$ 75,001</u>	<u>\$ (31,381,329)</u>	<u>\$ 66,508</u>	<u>\$ (1,402,279)</u>	<u>\$ (32,642,099)</u>	<u>\$ 133,516</u>	<u>\$ (32,508,583)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Pathway Health Corp.
Consolidated Statement of Cash Flows
For the three months ended March 31, 2021 and the 104 day period from the date of incorporation
September 18, 2020 to December 31, 2020

	Note	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Net loss		\$ (1,053,868)	\$ (374,506)
Operating activities			
Items not affecting cash			
Amortization of intangible assets		31,660	-
Depreciation of property and equipment		164,729	-
Finance expense		92,325	-
Share-based compensation		96,779	-
Government loan payable		(25,558)	-
Gain on remeasurement of contingent consideration		(24,000)	-
		<u>(717,933)</u>	<u>(374,506)</u>
Changes in non-cash working capital balances			
Accounts and other receivables		(320,673)	(34,771)
Deferred share issuance costs		(50,000)	-
Prepays		42,405	-
Inventory		19,313	-
Accounts payable and accrued liabilities		312,233	379,568
Deferred revenue		(33,353)	-
Net cash used in operating activities		<u>(748,008)</u>	<u>(29,709)</u>
Financing activities			
Net advances from related parties		(308,378)	30,296
Repayment of lease liability		(150,319)	-
Proceeds from government loan		40,000	-
Proceeds from issuance of share capital		-	1
Interest paid		(62,713)	-
Proceeds from convertible debentures		645,000	-
Proceeds from bridge notes		750,000	-
Net cash provided by financing activities		<u>913,590</u>	<u>30,297</u>
Investing activities			
Cash acquired through business combination under common control	4	370,948	-
Purchase of property and equipment		(13,753)	-
Net cash provided by investing activities		<u>357,195</u>	<u>-</u>
		522,777	588
Cash, beginning of period		<u>588</u>	<u>-</u>
Cash, end of period		<u>\$ 523,365</u>	<u>\$ 588</u>

Non-cash financing and investing activities (Note 24)

The accompanying notes are an integral part of these consolidated financial statements.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 1 – Nature of operations and going concern

Pathway Health Corp. (“the Company” or “Pathway”) is a private company, incorporated under the Canada Business Corporations Act on September 18, 2020. The Company’s principal business is the operation of medical clinics that offer multidisciplinary therapies to patients that suffer from chronic pain, including pharmaceutical and medical cannabis-related therapies. The clinical services are delivered in interdisciplinary pain clinics operated by Pathway and through virtual care by physicians and other health care providers, who are trained in managing chronic pain through assessment and multi-modality treatments that include minimally-invasive approaches, intravenous therapies, allied health methods and the prescription of medical cannabis which is supplied to the patient directly by Health Canada approved Licensed Producers.

As of the date of issuance, Pathway is a wholly-owned subsidiary of The Clinic Network Canada Inc. (“TCNC”), with its ultimate parent being Cura-Can Health Corp. (“Cura-Can”). The Company’s registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

On January 18, 2021, Pathway entered into an asset and share purchase agreement (“Asset and Share Purchase Agreement”) with TCNC, a wholly-owned subsidiary of Cura-Can, for purchase of all or substantially all of the operating assets of TCNC (“Asset Acquisition Transaction”). The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement consisted of a \$4,855,301 non-interest bearing demand promissory note, 10,093,484 Class C preferred shares, and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities of TCNC.

On January 29, 2021, Pathway entered into a definitive share exchange agreement with Colson Capital Corp. (TSXV:COLSP) (“Colson”), a capital pool company whose shares are listed on the NEX board of the TSX Venture Exchange. Colson will purchase all of the issued and outstanding shares of Pathway in a 1:1 exchange for the issuance of post-consolidation Colson shares. Subject to certain conditions being met this would result in the reverse take-over of Colson by Pathway (the “RTO Transaction”) to form the resulting issuer (“Resulting Issuer”). Upon completion of the RTO Transaction, it is anticipated that holders of Colson shares will own 2,856,171 post-closing shares of the Resulting Issuer. It is the intention of the parties that the Resulting Issuer will continue the business of Pathway, subject to certain terms and conditions. The RTO Transaction together with the Asset Acquisition Transaction is expected to constitute a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

On March 16, 2021, Pathway completed a private placement in connection with the RTO Transaction. The private placement was completed through a syndicate of agents (collectively, the “Agents”). Pursuant to the private placement, Pathway issued 27,600,000 subscription receipts (the “Subscription Receipts”) at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$13,800,000. The gross proceeds from the Private Placement, less a portion of the fees and expenses of the Agents (the “Escrowed Funds”) have been delivered to the transfer agent. The Escrowed Funds shall be held by the transfer agent until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction (other than the release of the Escrowed Funds), the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions for a transaction of this nature.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 1 – Nature of operations and going concern (continued)

The Agents were paid a cash commission equal to 8% of the aggregate gross proceeds, (excluding proceeds raised from certain subscribers on a list provided by Pathway to the Agents (the "President's List"), for which the Agents were paid 2% of the gross proceeds. In addition, non-transferable broker warrants (the "Broker Warrants") equal to 8% of the Subscription Receipts sold (other than proceeds raised from President's List subscribers, for which the Agents were issued Broker Warrants equal to 2% of the gross proceeds). Additionally, \$100,000 of gross proceeds under the Subscription Receipt Offering were subscribed for by Non-Arm's Length Parties of Pathway for which no commissions were paid to the Agents. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at an exercise price of \$0.50 per share. In addition the Agents were paid a corporate finance fee of \$150,000, comprised of a \$75,000 cash payment and \$75,000 in Pathway Common Shares at a deemed price of \$0.50 per share.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for units ("Units") of Pathway, each Unit will be comprised of one Class A common share of Pathway and one-half of a Pathway Share purchase warrant. Each Pathway Share and each Pathway Warrant will, in accordance with the Share Exchange Agreement, subsequently be exchanged for one common share of the Resulting Issuer ("Resulting Issuer Shares") and one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). In addition, the Agent's Warrants will also be exchanged for equivalent instruments of the Resulting Issuer exercisable for Resulting Issuer Shares.

Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The Company's ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the three months ended March 31, 2021 totaled \$1,053,868 (\$374,506 for the 104 days ended December 31, 2020) and as at March 31, 2021 the Company had a shareholder's deficiency of \$32,508,583 (December 31, 2020 - \$374,505). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses, prior to becoming profitable.

In addition, the Company's current liabilities exceed its current assets by \$35,684,484 (\$374,505 at December 31, 2020). These balances and the changes period over period indicate that there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Historically, management has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

The consolidated financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and such adjustments could be material.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies

In March 2020 there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically in regional economies in which the Company operates. As Pathway was incorporated in 2020 and had limited operations, the pandemic had minimal impact, however, the operations of TCNC acquired with the Asset Acquisition Transaction had been impacted and continue to be impacted by the pandemic. As a result, TCNC focused on moving to serve its patients through telemedicine where appropriate and was forced to close corporate offices and certain of its clinics, and temporarily layoff some of its employees and contractors, reduce hours of staff and receive government assistance in the form of Canadian Emergency Wage Subsidies ("CEWS") and loans from the Canadian Emergency Business Account program ("CEBA"). The pandemic could continue to have a negative impact on the stock market, including the completion of the Qualifying Transaction and the Company's ability to secure additional capital. These factors among others could have a significant impact on the Company's operations. Management has given consideration as to the impact of COVID on the Company and concluded that the consolidated financial statements reflect and disclose management's best estimate and uncertainty regarding the impact of COVID-19 on the Company's future operations and financial results.

The consolidated financial statements of the Company were authorized for issue by the Board of Directors on May 31, 2021.

a) Statement of compliance

The consolidated financial statements, and the notes hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at March 31, 2021 and described in the summary of significant accounting policies.

b) New accounting standards issued but not yet effective

As of the date of authorization of these consolidated financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. The Company anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

d) Consolidation

These consolidated financial statements of the Company include financial statements of the Company and its wholly owned subsidiaries, 2563367 Ontario Ltd (dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc (dba Slawner Ortho Ltee), 1964433 Alberta Ltd., Pathway Healthcare Technologies Corp., Pathway Wellness Products Corp. and its 51% owned subsidiary, 10030712 Manitoba Ltd.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Please see Note 4 for more detail.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interest. A non-controlling interest is presented as part of equity for the portion of the subsidiary's profit or loss that is not controlled by the Company.

e) Foreign Currency

Functional and presentation currency

Amounts presented in the consolidated financial statements and the notes hereto are in Canadian dollars, which is the functional and presentation of the Company and its subsidiaries.

Foreign currency translation

Transactions in currencies other than Canadian dollars are translated at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Exchange gains and losses on foreign currency differences are recognized in the consolidated statement of loss or comprehensive loss in the period incurred.

f) Cash

Cash consists of cash on hand and balances with banks.

g) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss (FVTPL)" or "fair value through other comprehensive income". For financial assets, the classification depends on the Company's business model for managing the financial assets and the cash flows based on the terms of the contract.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

Financial assets and liabilities at amortized cost

The Company has the following financial assets and liabilities recognized at amortized cost:

- Cash is initially recognized at fair value and subsequently measured at amortized cost.
- Accounts and other receivables and due from related parties are financial assets with fixed or determinable payments that are not quoted in an active market and held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Any interest income on these assets is recognized using the effective interest rate method. Subsequent to initial recognition, accounts and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.
- The Company's financial liabilities at amortized cost include accounts payable and accrued liabilities, redeemable preferred shares, lease liability, promissory note due to related party, due to related parties, 2020 convertible debentures, government loan payable and bridge notes. Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost using the effective interest method and transaction costs incurred are deferred and amortized using the straight-line method over the term of the loan.

Compound financial instruments are those legal instruments, such as convertible debentures which are convertible into a fixed number of equity instruments, which, in substance, contain more than one instrument. For the convertible debentures that are convertible into a fixed number of equity instruments, the liability component of compound financial instruments is initially recognized as the fair value of a similar liability that does not have any equity conversion option. The equity component is initially recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. Interest related to the financial liability component is recognized in the consolidated statement of loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized. See Note 15 for further details on the 2020 convertible debentures.

Financial liabilities at fair value

Debt facilities that can be converted into a variable number of equity instruments are classified entirely as liabilities.

The Company has elected to use the "fair value option" available under IFRS 9 for certain of its convertible debentures where the conversion option is into a variable number of equity instruments. Under this approach, a contract that contains one or more embedded derivatives that would normally be required to be accounted for separately can instead be accounted for in its entirety at fair value through profit or loss ("FVTPL"). As such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The difference between the transaction price and fair value on initial recognition, if any, is amortized over the term of the instrument on a straight-line basis. See Note 15 for further details on the Company's convertible debentures.

The Company also accounts for contingent consideration on business acquisitions using FVTPL.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

Transaction costs related to financial liabilities classified as FVTPL are expensed as incurred. Changes in fair value of financial liabilities at FVTPL, including interest, are recognized in profit or loss within finance income or expense in the period in which they arise. The component of fair value changes relating to the Company's own credit risk, if any, is recognized in other comprehensive income (OCI). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

Debt facilities that are initially accounted for at FVTPL which have provisions that subsequently cause the conversion rates to become fixed so that the instrument can be converted into a fixed number of equity instruments, are accounted for under the fair value option described above until the provisions in the facility are triggered and the conversion rates become fixed. The difference between the fair value at the triggering date and the revalued instrument under the compound instruments policy described above, are recognized in the consolidated statement of loss in the period in which they arise.

Impairment of financial assets

The Company's accounts and other receivables are subject to the expected credit loss model under IFRS 9 'Financial Instruments'. The Company applies the simplified approach to providing for expected credit losses for its trade receivables.

At each reporting date, the Company assesses whether there are indications that financial assets may be impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, that the loss event has an impact of the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include:

- default or delinquency by a borrower;
- indication that the borrower will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data such as adverse changes in the payment status of the borrower.

h) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and conditions necessary for the property or equipment to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows:

• Computer equipment	3 years
• Furniture and fixtures	5 years
• Medical equipment and machinery	5 years
• Leasehold improvements	Term of the lease
• Right-of-use assets	Term of the lease

Depreciation commences when the assets is available for use. The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjustments are accounted for prospectively, if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

i) Revenue

Revenue arises mainly from providing medical services to patients, collaboration with third parties for educational services and the sale of products.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract with customer and/or patients;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

For revenue from services delivered to patients, the Company recognizes revenue once the services have been rendered, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company. The Company's performance obligations are satisfied when the services are rendered.

For revenues derived from collaborations with third parties for delivery of educational services to patients, the Company recognizes revenue based on contracted terms with third parties once orders are received and fulfilled by the third parties. Contracted terms do not include the provision of post-service obligations. The Company's performance obligations are satisfied when the patient orders are fulfilled by the third parties.

For revenues from the sale of products, which may include fitting and customization, the Company recognizes revenue when the Company transfers control of the products to the customer, the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company. The Company's performance obligations are satisfied when the products are delivered to the customer.

Revenue comprises the fair value of the consideration received or receivable for services or products delivered. The Company does not have any contracts where the period between the provision of the services and/or products to the patients and/or customers and payment by the patients/customers or third-party payer exceeds one year. As such, the Company does not adjust any of the consideration received or receivable for the time value of money. Clients may pay in advance of using the service or receiving the products in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

j) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is measured as a sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interest issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination, which are included as a component of equity when the shares are issued.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Goodwill is carried at cost less accumulated impairment losses.

Business combinations involving entities under common control are accounted for using the predecessor value method. This involves accounting for the assets and liabilities of the acquired business using existing carrying values. Under this method, no goodwill is recognized. The difference between the consideration transferred and the existing carrying values of the assets transferred, liabilities incurred, and equity interest issued is recognized in a separate component of equity. Acquisition costs are expensed as incurred except for costs related to shares issued in conjunction with the business combination, which are included in equity. The Company consolidates the results of the acquiree only from the date of combination.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition unless it is a business combination under common control in which case they are recorded at the predecessor company's carrying value. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

• Physician and Customer list	3-5 years
• Standard Operating Procedures	5 years
• Software	5 years
• Brand	25 years
• Group billing number	Indefinite useful life

Intangible assets with finite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of amortization is reviewed at least annually.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

l) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs of inventory include costs of purchase, costs of conversion, and any other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include direct costs (materials) and indirect costs (variable production overheads). Raw materials and finished goods costs are determined on a weighted average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

m) Leases

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and/or; (iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company presents right-of-use assets in property and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability may be compromised of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price under purchase option that the Company is reasonably certain to exercise; (v) lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and (vi) penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of loss. Lease payments for short-term leases and for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

n) Cost of sales

Cost of sales includes the cost of physician consultants, medical supplies, products, raw materials, license fees, and shipping.

o) Government assistance

Government assistance is recognized when there is reasonable assurance that the Company will comply with the conditions attached and the Company is reasonably certain that the government assistance will be received. Grants that compensate the Company for expenses incurred are recognized as a reduction to the related expense on a systematic basis in the periods in which the expenses are recognized.

Loans received from government are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received, being recorded as government grant gain in the statements of loss and comprehensive loss.

p) Share-based compensation

Share-based payments are accounted for using the fair value method.

The Company issues equity-settled share-based awards to eligible employees, directors, officers, and consultants. The fair value of options granted to employees, officers and directors are determined using a Black-Scholes option pricing model at the grant date and expensed over the vesting period with a corresponding increase in contributed surplus. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Contributed surplus related to stock options which expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statement of financial position.

q) Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current taxes

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probably that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that is no longer probable that they can be utilized. Deferred income tax assets and liabilities are presented as non-current and are determined on a non-discounted basis.

r) Impairment of non-financial assets and goodwill

Non-financial assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill and intangible assets with an indefinite useful life, the Company tests for impairment at least annually as required under IAS 36. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts where the recoverable amount of an asset cannot be determined, the assets are grouped at the lowest levels for which there are separately identifiable cash generating units ("CGUs").

The CGUs are the smallest identifiable group of assets that generate cash flows independent of cash flows of other groups of assets. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 1) an asset's fair value less costs of disposal and 2) value in use. Value in use of each CGU is determined using estimated discounted cash flows, which include estimates of future cash flows and determination of the discount rate. The fair value less costs of disposal is based on available data from sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Impairment loss is recorded in the period when it is determined that the carrying amount of the asset, or its CGU, may not be recoverable. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, at the end of each reporting period, the Company makes an assessment as to whether there is any indication that previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset's, or its CGU's recoverable amount, and compares it to the carrying amount, net of accumulated depreciation and amortization that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

s) Fair value measurement

The Company classifies its deferred acquisition costs, contingent consideration, convertible note, and certain convertible debentures at FVTPL.

The Company determines the fair value of items held at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

t) Provisions and contingencies

Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at managements' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

u) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings (loss) per share reflects the potential dilution that would occur if there were stock options, warrants, or other convertible securities that were exercised or converted. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) available to common shareholders by the sum of the weighted average number of common and preferred shares outstanding and all additional common and preferred shares that would have been outstanding arising from the exercise or conversion of potentially dilutive stock options, warrants, or other convertible securities outstanding during the year.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 2 – Basis of presentation and significant accounting policies (continued)

The Company uses the treasury method for outstanding options which assumes that the proceeds that could be obtained upon exercise of options are used to purchase the Company's common shares at the fair market value or average market price during the year. Anti-dilutive amounts are not considered in computing diluted earnings (loss) per share.

v) Share capital and contributed surplus

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects. The cost of repurchased common shares is recognized as a reduction of share capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

For equity offerings of units consisting of a common share and a warrant or participation right, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant or participation right. The fair value of warrants or participation rights, as calculated at the date of issue using a Black-Scholes pricing model or other appropriate method, is included in contributed surplus.

Redeemable preferred shares are classified as a liability due to the redemption rights of the shareholders. Dividends are recognized in profit or loss as accrued.

Contributed surplus related to stock options and warrants which expire unexercised is reclassified to deficit and remains with the equity section of the consolidated statements of financial position.

Note 3 – Significant accounting estimates and judgments

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

In certain acquisitions, the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 3 – Significant accounting estimates and judgments (continued)

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income tax

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 3 – Significant accounting estimates and judgments (continued)

f) Convertible debentures

Convertible debentures that can be converted into a fixed number of equity instruments have been separated into liability and equity components for accounting purposes based on the residual value method, whereby the fair value of the liability component is measured first with the residual value being allocated to the conversion feature. The fair value of the liability component is measured using a discount rate for a similar financial instrument without the conversion feature. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal at maturity.

g) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 3 – Significant accounting estimates and judgments (continued)

j) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

k) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses. Actual collectability of customer balances can vary from the Company's estimation.

b) Impairment of non-financial assets

The Company tests property, plant and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property, plant and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 3 – Significant accounting estimates and judgments (continued)

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

Note 4 – Business combinations

The Clinic Network Canada Inc. ("TCNC")

On January 18, 2021, Pathway entered into an Asset and Share Purchase Agreement with TCNC, a wholly-owned subsidiary of Cura-Can, for purchase of all or substantially all of the operating assets of TCNC. The consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement consisted of a \$4,855,301 non-interest bearing demand promissory note, 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities. The preferred shares were classified as a liability as they are redeemable at the option of the holder.

The combining entities are ultimately controlled by the same parties prior to and subsequent to the business combination, which is considered a transaction under common control. The Company has elected to apply predecessor accounting to the transaction and as such, all assets and liabilities acquired are transferred at the carrying values from the predecessor company. No goodwill is recorded for the difference between the net assets acquired and consideration paid, resulting in an adjustment to equity.

Fair value of consideration transferred	
51,638,710 redeemable preferred shares	\$ 25,819,355
Promissory note	4,855,301
Cash acquired	(370,948)
	<u>30,303,708</u>
Recognized amounts (predecessor carrying values)	
Assets acquired	
Accounts and other receivables	1,846,314
Due from related parties	56,194
Inventory	313,569
Prepays	139,272
Property and equipment	655,941
Right-of-use assets	2,840,667
Intangibles	1,438,222
Goodwill	563,129
	<u>7,853,308</u>
Less fair value of liabilities assumed	
Accounts payable and accrued liabilities	1,111,367
Deferred revenue	33,353
Lease liability	3,148,541
Due to related parties	88,000
Government loan	42,978
Convertible debt	4,483,102
Net identifiable assets acquired and liabilities assumed	<u>(1,054,033)</u>
Total recognized net assets	<u>\$ 31,357,741</u>

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 4 – Business combinations (continued)

Under the predecessor accounting method, the Company has chosen to show TCNC's consolidated results prospectively from January 18, 2021.

Note 5 – Accounts and other receivables

	March 31, 2021	December 31, 2020
Accounts receivable	\$ 1,446,291	\$ -
Sales tax recoverable	173,701	34,771
	<u>\$ 1,619,992</u>	<u>\$ 34,771</u>

Note 6 – Inventory

Inventory is comprised of the following:

	March 31, 2021	December 31, 2020
Raw materials	\$ 9,158	\$ -
Finished goods	285,098	-
	<u>\$ 294,256</u>	<u>\$ -</u>

Inventories expensed to cost of goods sold during the three months ended March 31, 2021 are \$147,356 (For the 104 days ended December 31, 2020 - \$nil).

Note 7 – Property and equipment

Cost	Leasehold improvements	Computer equipment	Medical equipment and machinery	Furniture and fixtures	Right-of-use assets	Total
Balance at September 18 and December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4)	200,520	92,508	574,284	111,594	3,911,560	4,890,466
Additions	1,500	5,234	4,550	2,469	261,462	275,215
Balance at March 31, 2021	<u>\$ 202,020</u>	<u>\$ 97,742</u>	<u>\$ 578,834</u>	<u>\$ 114,063</u>	<u>\$ 4,173,022</u>	<u>\$ 5,165,681</u>
Accumulated Depreciation and impairment	Leasehold improvement	Computer equipment	Medical equipment and machinery	Furniture and fixtures	Right-of-use assets	Total
Balance at September 18 and December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4)	59,096	42,317	177,275	44,277	1,070,893	1,393,858
Depreciation for the period	6,932	6,322	23,542	4,564	123,369	164,729
Balance at March 31, 2021	<u>\$ 66,028</u>	<u>\$ 48,639</u>	<u>\$ 200,817</u>	<u>\$ 48,841</u>	<u>\$ 1,194,262</u>	<u>\$ 1,558,587</u>
Net Book Value						
Balance at March 31, 2021	<u>\$ 135,992</u>	<u>\$ 49,103</u>	<u>\$ 378,017</u>	<u>\$ 65,222</u>	<u>\$ 2,978,760</u>	<u>\$ 3,607,094</u>

The Company reviews the carrying value of its property and equipment at each reporting period for indicators of impairment. Upon completion of its review for the three months ending March 31, 2021, management determined that there were no indicators of impairment.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 8 – Intangible assets

	Group billing number	Brand	Customer & Physician List	Standard Operating Procedures	Software	Total
Gross Carrying Amount						
Balance at September 18 and December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4)	180,761	804,632	301,166	200,000	100,000	1,586,559
Balance at March 31, 2021	\$ 180,761	\$ 804,632	\$ 301,166	\$ 200,000	\$ 100,000	\$ 1,586,559
Accumulated Amortization and Impairment						
Balance at September 18 and December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4)	-	58,598	32,869	35,161	21,709	148,337
Additions	-	7,096	12,306	8,172	4,086	31,660
Balance at March 31, 2021	\$ -	\$ 65,694	\$ 45,175	\$ 43,333	\$ 25,795	\$ 179,997
Net Book Value						
As at March 31, 2021	\$ 180,761	\$ 738,938	\$ 255,991	\$ 156,667	\$ 74,205	\$ 1,406,562

The Company reviews the carrying value of the intangible assets at each reporting period for indicators of impairment. Upon completion of this review for the three months ended March 31, 2021, it was determined that there were no indicators of impairment.

Note 9 – Goodwill

Balance at January 1, 2021	\$ -
Acquired through business combination under common control (Note 4)	563,129
Balance at March 31, 2021	\$ 563,129

Note 10 – Accounts payable and accrued liabilities

	March 31, 2021	December 31, 2020
Accounts payable	\$ 940,936	\$ 302,198
Other accrued liabilities	309,411	45,314
Accrued share issuance cost (Note 17)	806,755	-
Finance and interest payable	26,093	-
Contingent consideration	146,000	-
Employee liabilities	403,527	32,056
\$ 2,632,722	\$ 379,568	

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 10 – Accounts payable and accrued liabilities (continued)

As part of the Asset Acquisition Transaction, Pathway assumed contingent consideration with a fair value of \$170,000 related to the TCNC acquisition of certain assets from National Access Canada Corp. (“NACC”) and its sole shareholder, Meta Growth Corp. (“Meta”) in fiscal 2020. The related acquired assets were also transferred to Pathway as part of the Asset Acquisition Transaction. The contingent consideration was based on a potential earn-out bonus of up to \$300,000. The earn-out bonus is determined based on the number of patients on the patient list transferred that renew their annual medical document in the first 12 months after closing. The earn-out bonus is payable in common shares, if the Company’s shares are listed on a public exchange within 12 months of closing, or cash. At March 31, 2021, on review of the results, management adjusted fair value of the contingent consideration to \$146,000 based on the Company’s estimate of the probability of the performance targets being achieved. The change in the estimate of fair value, \$24,000, is recognized in profit and loss as a gain on remeasurement of contingent consideration.

Note 11 – Lease liability

	March 31, 2021	December 31, 2020
Opening balance	\$ -	\$ -
Acquired through business combination under common control (Note 4)	3,148,541	-
Addition	261,462	-
Repayment of lease liability	(150,319)	-
Balance, end of period	3,259,684	-
Current lease liability	559,425	-
Non-current lease liability	\$ 2,700,259	\$ -

The Company’s lease liability is for real estate, including the Company’s head office and clinic locations, with lease terms typically ranging from 1 to 10 years. Future undiscounted cash out flows for the lease liability are disclosed as part of total contractual liabilities in Note 22.

For the three months ended March 31, 2021, the Company recognized depreciation expense of \$123,369 (For the 104 days ended December 31, 2020 - \$nil) on the right-of-use asset. The total cash outflow for leases for the three months ended March 31, 2021 was \$150,319 (For the 104 days ended December 31, 2020 - \$nil). As at March 31, 2020 the Company was in arrears on three lease assets in the amount of \$28,206.

Excluded from the calculation of the lease liability is variable lease payments that do not depend on an index or a rate, which will include utilities, common area maintenance costs, property tax or any additional service payments. Also excluded from the lease liability are short-term and low-value assets. The expense related to payments not included in the measurement of lease liability is as follows:

	March 31, 2021
Leases of low value assets	\$ 3,619
Variable lease payments	91,287
	<u>\$ 94,906</u>

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 12 – Related party transactions

The Company's related parties are its directors and key management personnel, as well as any companies controlled by its ultimate parent, Cura-Can, key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Due from/to related parties

Related party balance consists of amounts owing from related parties:

	March 31, 2021	December 31, 2020
Due from Involved Medicine, a subsidiary of Cura-Can	\$ 56,194	\$ -
Due from TCNC, a subsidiary of Cura-Can	302,685	-
	<u>\$ 358,879</u>	<u>\$ -</u>

Related party balance consists of amounts owing to related parties:

	March 31, 2021	December 31, 2020
Due to TCNC, a subsidiary of Cura-Can	\$ -	\$ 30,296
Due to Cura-Can	24,603	-
Promissory grid note due to Cura-Can	88,000	-
	<u>\$ 112,603</u>	<u>\$ 30,296</u>

On September 23, 2020, Slawner Ortho entered into a demand grid promissory note due to Cura-Can, for gross proceeds of \$80,000 and a \$8,000 financing fee which was added on to the principal balance. The promissory note bears interest at 12% per annum and is due on demand. As of March 31, 2021, there was \$88,000 outstanding on the promissory note. The Company recorded \$5,468 of interest (included in accounts payable and accrued liabilities) for the three months ended March 31, 2021.

Other related party transactions

As at March 31, 2021 there is a non-interest demand promissory note totaling \$4,855,301 that was issued as part of the Asset Acquisition Transaction to TCNC. In addition to the non-interest demand promissory note, TCNC was also issued 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares. These redeemable preferred shares are presented as a liability of \$25,819,355 on the balance sheet. See Note 4 for more details.

In fiscal 2020, certain members of management participated in the convertible debentures TCNC issued for a total of a \$25,000 principal investment. These debentures were assumed by Pathway as part of the Asset Acquisition Transaction. See Note 15 for details on the terms of the convertible debentures.

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 12 – Related party transactions (continued)

Certain members of management also participated in the Bridge notes. See Note 14 for details and terms of the debt.

The Company also issued two guarantees to a company that is the majority shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can and Senior Secured Notes issued to TCNC. With regards to the credit facility, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees as at March 31, 2021. The maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021. The guarantee was previously issued by TCNC, however was then transferred to Pathway as part of the Asset and Share Purchase Agreement transaction. With regards to the Senior Secured Notes, the maximum amount the Company is exposed to under the guarantee as at March 31, 2021 is approximately \$857,000 which includes principal, accrued interest and exit fees on the loan. The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the period are as follows:

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Compensation (including benefits)	\$ 340,817	\$ 47,698
Share-based compensation	96,779	-
	<u>\$ 437,596</u>	<u>\$ 47,698</u>

Note 13 – Government loan payable

Balance, September 18 and December 31, 2020	\$ -
Acquired through business combination under common control (Note 4)	43,148
Proceeds	40,000
Fair value adjustment	(25,558)
Accretion expense	1,914
Balance, March 31, 2021	<u>\$ 59,504</u>

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 13 – Government loan payable (continued)

Silver and Slawner Ortho were approved for and received \$60,000 lines of credit under the Canadian Emergency Business Account (“CEBA”) program funded by the Government of Canada, for a consolidated amount of \$120,000. Of this amount \$40,000 was received in the three months ended March 31, 2021 and the remaining \$80,000 was assumed as part of the Asset and Share Purchase Agreement on January 18, 2021. The government loan payable had an amortized balance of \$43,147 at the time of the Asset and Share Purchase Agreement. The loans are non-interest bearing and due on December 31, 2022. Repayment of the loans before December 31, 2022 will result in loan forgiveness of 33.3% of the loan balance. After January 1, 2023, the loans may be converted into a 3-year term loans at a fixed annual interest rate of 5%.

The \$40,000 CEBA loans received in the three months ended March 31, 2021 were initially fair valued using a discount rate of 17% and was measured at \$14,442 with the difference of \$25,558 being recognized as a government grant on the consolidated statement of loss during the three months ended March 31, 2021.

The amortized cost of the CEBA loans are \$59,504 as at March 31, 2021.

Note 14 – Bridge notes

Balance September 18 and December 31, 2020	\$ -
Principal on issuance	825,000
Deferred financing fee	(75,000)
Amortization of deferred financing fee	8,294
Balance, March 31, 2021	<u>\$ 758,294</u>

On March 23 and 24th, the Company entered into agreements for the issuance of \$825,000 (\$750,000 net of loan fees) in bridge loan notes (“Bridge Notes”), including \$357,500 with related parties.

The Bridge Notes bear coupon interest at a rate of 10% per annum and mature at the earlier of September 22, 2021 and the occurrence of any events which constitute an event of default. The occurrence of an event of default includes but are not limited to, failure to pay the obligation on maturity, defaults in the performance of any material covenant, falsification of any representation or warranty under the Bridge notes, insolvency, cessation or threat of cessation of business and impairment of ability to pay the obligation. The Bridge notes are subject to a minimum of 3 months accrued interest and fees if prepaid prior to the Maturity Date.

Included in accounts payable and accrued liabilities at March 31, 2021 is \$20,625 of accrued interest (December 31, 2020 - \$nil).

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 15 – Convertible debt

	Convertible debentures 2019	Convertible debentures 2020	Deferred acquisition costs	Convertible note	Hew Note	Total
Balance, September 18 and December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4):						
Principal balance	150,000	2,311,000	250,000	200,000	1,150,000	4,061,000
Accrued interest	20,623	22,065	-	-	146,693	189,381
Fair value adjustment	22,750	311,076	(13,889)	-	144,077	464,014
Deferred financing fees	(7,086)	(224,207)	-	-	-	(231,293)
	186,287	2,419,934	236,111	200,000	1,440,770	4,483,102
Equity component of convertible debenture	-	(66,508)	-	-	-	(66,508)
Accretion expense	1,970	48,458	-	-	-	50,428
Fair value adjustment	3,888	(86,869)	-	-	28,979	(54,002)
Balance March 31, 2021	\$ 192,145	\$ 2,315,015	\$ 236,111	\$ 200,000	\$ 1,469,749	\$ 4,413,020
Current portion as at March 31, 2021	192,145	2,315,015	236,111	200,000	1,469,749	4,413,020
Long-term portion as at March 31, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Convertible debentures – day 1 difference

For the Company's convertible debentures issued in 2019 and 2020, the transaction price on initial recognition was determined not be the best evidence of fair value because the fair value of the host debt instrument together with the embedded derivative exceeded the transaction price. The fair value of the host debt together with the embedded derivative was determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and applying a discount for lack of marketability due to the 4 month hold required after conversion. The difference between the transaction price and fair value on initial recognition of \$20,000 and \$308,133 for the debentures issued in 2019 and 2020 respectively, is amortized over the expected term of the instrument on an effective interest rate method and included in finance expense. See note below regarding the change in accounting for the 2020 convertible debentures.

The unamortized fair value difference at March 31, 2021 and activity during the period is as follows:

	Convertible debentures 2019	Convertible debentures 2020	Total
Balance, September 18 and December 31, 2020	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4)	7,086	224,207	231,293
Recognized in profit or loss	(1,970)	(224,207)	(226,177)
Balance at March 31, 2021	\$ 5,116	\$ -	\$ 5,116

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 15 – Convertible debt (continued)

Convertible debentures 2019

During the year ended December 31, 2019, TCNC issued \$50,000 and \$100,000 of unsecured convertible debentures, subordinated to senior debt, that mature on August 2021 and October 2021, respectively. These debentures were assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4). The debentures were transferred to the Company from TCNC at the net book value on the date of transfer of \$186,287.

The debentures bear interest at 10% per annum with interest accrued due at the end of the term. Pursuant to the terms of the debentures, the Company will have the option to satisfy the principal and interest payments through the issuance of common shares.

The debentures are convertible into common shares at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a Qualified Financing or Liquidity Event. A Qualified Financing is the issuance of common shares in a transaction or series of related transactions resulting in aggregate gross proceeds to the Company of at least \$10,000,000, excluding conversion of the debentures and any other indebtedness. A Liquidity Event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the Board of Directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice. As the number of shares issued on conversion will vary depending on the deemed price of the common shares, this feature has been classified as an embedded derivative.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

At March 31, 2021, these convertible debentures had principal and accrued interest outstanding of \$174,054, which resulted in a fair value of \$192,145.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 15 – Convertible debt (continued)

Convertible debentures 2020

Between November 10, 2020 to January 17, 2021, TCNC issued unsecured convertible debentures of \$2,311,000. These debentures were assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4). The debenture was transferred to the Company from TCNC at net book value on the date of transfer of \$2,419,934.

The unsecured convertible debentures mature 24 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

Prior to the Asset Acquisition Transaction, the convertible debentures were classified entirely as liabilities because the number of shares that would be issued on conversion varied. The election was made to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

On the closing of the Asset Acquisition Transaction, the conversion price of the debentures became fixed at 75% of \$0.50, which is the price of the Pathway shares established in the Asset Acquisition Transaction. As such, the debenture can subsequently be converted at a fixed rate for a fixed amount of shares ("fixed-for-fixed"). As the fixed-for-fixed criteria has been satisfied, management has elected to reclassify the convertible debenture into debt and equity components. The liability component of the debenture was calculated using the discounted cash flows for the instrument assuming the effective interest rate of 11.32% (\$2,266,557). The effective interest rate was based on the estimated rate for a debenture with similar terms but without a conversion feature. The fair value of the equity component (conversion feature - \$66,508) was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal balance at maturity. The accretion is presented as a finance cost.

The difference between the fair value of the debentures at the Asset Acquisition Transaction date calculated under the fair value option and the initial recalculated debt and equity portions calculated above resulted in a gain of \$86,869, which is recognized in finance expense in the consolidated statement of loss.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 15 – Convertible debt (continued)

Deferred acquisition costs

On August 31, 2020, TCNC acquired the assets of Nature Medic Inc. (“NMI”) for the purchase price of \$400,000, including contingent consideration of \$50,000. Consideration transferred included cash of \$100,000 and an unsecured non-interest bearing 12-month convertible promissory note for up to \$300,000 of which \$50,000 is contingent on financial performance. The contingent payment of \$50,000 was recorded at its estimated fair value of \$nil. The convertible promissory note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4). The promissory note was transferred to the Company from TCNC at net book value on the date of transfer of \$236,111.

The \$250,000 convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. The Company may repay the note without notice or penalty. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discount from the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then the Company will either: (i) issue additional common shares to NMI equal to the indebtedness less the value of the converted shares on the date immediate after the hold period (“hold value”); (ii) pay to NMI an amount equal to the hold value in cash.

With the conversion features of the convertible promissory note, there is an obligation to issue a variable number of shares, consequently the conversion feature is an embedded derivative and is classified as a liability as it fails the “fixed for fixed” criterion. The Company has classified the convertible promissory note as a financial liability at fair value through profit and loss under IFRS 9 Financial Instruments. On March 31, 2021 the fair value of the convertible promissory note was \$236,111. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

Convertible note

On March 6, 2020, TCNC acquired certain assets from National Access Cannabis Medical (“NACM”) for an aggregate purchase price of \$1,200,000, including a convertible note of \$200,000 and a maximum earn-out bonus of \$1,000,000. The convertible note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4). The convertible note was transferred to the Company from TCNC at net book value on the date of transfer of \$200,000.

The \$200,000 convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company’s option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no liquidity event occurs prior to maturity, the note shall be paid in cash. The conversion terms, allow NACM to convert the promissory note into a number of shares equal, on conversion, to the face value of the note at their deemed market value. This fails the “fixed for fixed” criterion because a variable number of shares will be issued to extinguish a fixed liability amount. The conversion feature would typically be classified as a derivative liability, but as the conversion price is set at the conversion date market share price or rather deemed market share price, the derivative liability has no value. As such, the fair value of the debt equals its transaction price of \$200,000.

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 15 – Convertible debt (continued)*Hew Note*

Cura-Can, entered into a Secured Convertible Promissory Note (“Hew Note”) dated November 5, 2019 for a principal amount of \$1,150,000 with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can’s obligations under the Hew Note for principal payments of \$1,150,000 and \$140,687 in accrued interest in exchange for a reduction of TCNC’s amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021 (see Note 4). The Hew Note was transferred to the Company from TCNC at net book value on the date of transfer of \$1,440,770.

The Hew Note is convertible into Class E preferred shares of the Company at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to a liquidity event, qualified financing or change of control. The note is secured by a general security agreement over the assets of the company.

The Company has classified the Hew Note entirely as a liability because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price.

At March 31, 2021, the Hew Note had principal and accrued interest outstanding of \$1,322,744, which resulted in a fair value of \$1,469,749.

Note 16 – Income taxes**a) Income tax expense (recovery)**

	March 31, 2021	December 31, 2020
Current tax expense (recovery)		
Current period	\$ -	\$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(252,488)	(99,244)
Change in unrecognized temporary differences	252,488	99,244
Total income tax (recovery) expense	-	-

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 16 – Income taxes (continued)

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	March 31, 2021	December 31, 2020
Loss before income taxes	\$ (1,053,868)	\$ (374,506)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	(279,275)	(99,244)
Increase/(decrease) resulting from:		
Change in unrecognized deductible temporary differences	252,488	99,244
Change in tax rates and rate differences	(123)	-
Non-taxable items	26,910	-
Income tax (recovery) expense	-	-

b) Unrecognized deferred tax assets

	March 31, 2021	December 31, 2020
Deferred tax assets are attributable to the following:		
Loss carryforwards	\$ 129,035	\$ -
Lease liability	832,574	-
Deferred tax assets	961,609	-
Set-off of tax	(961,609)	-
Net deferred tax asset	\$ -	\$ -

	March 31, 2021	December 31, 2020
Deferred tax liabilities are attributable to the following:		
Intangible assets	\$ (75,607)	\$ -
Convertible debentures	(21,358)	-
Other	(50,235)	-
Property and equipment	(814,409)	-
Deferred tax liabilities	(961,609)	-
Set-off of tax	961,609	-
Net deferred tax liability	\$ -	\$ -

c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. The tax losses expire between 2037 and 2041.

	March 31, 2021	December 31, 2020
Deductible temporary differences	\$ 15,440,416	\$ 199,816
Tax losses	2,884,067	174,690
Net deferred tax liability	\$ 18,324,483	\$ 374,506

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 17 – Share Capital

a) Common and preferred shares

Authorized – The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares, an unlimited number of Class C Preferred Shares, issuable in series, an unlimited number of Class D Preferred Shares and an unlimited number of Class E Preferred Shares.

Class A Shares:

Voting rights:

One vote each.

Dividends:

Subject to the preferences accorded to holders of Class C Preferred Shares, the Class D Preferred Shares, the Class E Preferred Shares and any other shares of the Company ranking senior, Class A Shares are entitled to any dividends that may be declared by the Board of Directors.

Liquidation, dissolution or winding up:

Subject to the preferences accorded to holders of Class C Preferred Shares, the Class D Preferred Shares, the Class E Preferred Shares and any other shares of the Company ranking senior, holders of Class A Shares are entitled to share equally in the remaining property of the Company with holders of Class B Shares.

Class B Shares:

Voting rights:

No voting rights.

Dividends:

Subject to the preferences accorded to holders of Class C Preferred Shares, the Class D Preferred Shares, the Class E Preferred Shares and any other shares of the Company ranking senior, Class B Shares are entitled to any dividends that may be declared by the Board of Directors.

Liquidation, dissolution or winding up:

Subject to the preferences accorded to holders of Class C Preferred Shares, the Class D Preferred Shares, the Class E Preferred Shares and any other shares of the Company ranking senior, holders of Class B Shares are entitled to share equally in the remaining property of the Company with holders of Class A Shares.

Class C Preferred Shares, Class D Preferred Shares and Class E Preferred Shares:

Voting rights:

One vote each.

Dividends:

If declared by the Board of Directors, holders are entitled to receive non-cumulative dividends at a rate determined by the directors upon the first issuance of the shares.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 17 – Share Capital (continued)

Redemption price:

The Redemption Price is fixed by the Board of Directors on issuance and shall equal the amount obtained with the difference, if positive, between the fair market value at the time of first issuance and the fair market value of any non-share consideration issued by the Company, is divided by the number of Preferred Shares issued. The redemption price may be adjusted in accordance with provisions of any written agreement between the Company and subscriber.

Liquidation, dissolution or winding up:

Holders will be entitled to receive from the assets and property of the Company, a sum equivalent to the Redemption Price plus all declared but unpaid dividends before any amount will be paid or assets distributed to the holders of any class of common shares or any other class or series ranking junior to the Preferred Shares. After this payment is made, holders will not be entitled to share any further in the distribution of the assets or property of the Company.

On January 18, 2021 the company completed an Asset Acquisition Transaction with TCNC. See Note 4 for more detail.

Shares issued and outstanding:

	Number of shares					Total	Redeemable preferred shares	Common Share
	Class A	Class B	Class C	Class D	Class E			
Balance, September 18, 2020	-	-	-	-	-	-	\$ -	\$ -
Share issued on incorporation	1	-	-	-	-	1	-	1
Balance, December 31, 2020	1	-	-	-	-	1	-	1
Asset Acquisition Transaction, January 18, 2021 (Note 4)	-	-	10,093,484	41,545,226	-	51,638,710	25,819,355	-
Common shares issued, March 16, 2021	150,000	-	-	-	-	150,000	-	75,000
Balance, March 31, 2021	150,001	-	10,093,484	41,545,226	-	51,788,711	\$ 25,819,355	\$ 75,001

On March 16, 2021, Pathway completed a private placement whereby Pathway issued 27,600,000 Subscription Receipts at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$13,800,000. The gross proceeds from the private placement, less a portion of the fees and expenses of the Agents have been delivered to the transfer agent. The Escrowed Funds shall be held by the transfer agent until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction, the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for Units of Pathway, each Unit will be comprised of one Class A common share of Pathway and one-half of a Pathway Share purchase warrant. Each Pathway Share and each Pathway Warrant will, in accordance with the Share Exchange Agreement, subsequently be exchanged for one common share of the Resulting Issuer and one common share purchase warrant of the Resulting Issuer. In addition, the Agent's Warrants will also be exchanged for equivalent instruments of the Resulting Issuer exercisable for Resulting Issuer Shares. Each of the Agent's Warrants shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at the at an exercise price of \$0.50 per warrant.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 17 – Share Capital (continued)

The Company has recorded \$931,755 of deferred share issuance costs related incurred up to March 31, 2021 as part of the private placement. This amount includes an accrual for half of the Agent's fees which are non-refundable and related legal disbursements and expenses. Of this amount \$806,755 is outstanding in accounts payable and accrued liabilities as at March 31, 2021. The amount also includes the 150,000 Class A common shares issued to the Agent's with a value of \$75,000 as part of a financing fee.

b) Stock options and share-based payments

There is a stock-based compensation arrangement in place for directors, officers, employees and consultants. In 2019, certain management members of the Company were granted stock options under its parent company's plan. These management members were transferred to be employees of Pathway from TCNC as part of the Asset Acquisition Transaction. There were no option grants in the three months ended March 31, 2021.

On March 27, 2019, Cura-Can, the parent company, granted certain employees of the Company 3,000,000 options. Each option allows the holder to acquire one common share in Cura-Can or an eligible subsidiary for \$1.00 per share. The options vest over five years and expire on March 27, 2026.

The Company accounts for options granted under these plans in accordance with the fair value method. Fair values are determined using the Black-Scholes option pricing model. The application of this fair value-based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock, life of the options and forfeiture rate. For the options granted in March 2019, the risk-free rate used in 2019 was 1%, the average expected volatility was 76.21% based on historical trading activity of comparative companies currently trading on the TSX, the expected life of the options was 7 years, the forfeiture rate was assumed to be 0%, the underlying share price was assumed to be \$1.00 on the grant date, the exercise price was set at \$1.00 and the expected dividends were nil. The grant date fair value of the options granted in the year ended December 31, 2019 was \$0.62 per option.

A forfeiture rate of nil was used to estimate option expenses during the year. The Company recognized total share based compensation expense of \$96,779 for the three months ended March 31, 2021. The options outstanding as of March 31, 2021 have a remaining life of 5.0 years.

A summary of the status of the Company's stock options outstanding and exercisable are as follows:

	March 31, 2021		December 31, 2020	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of year	-	\$ -	-	\$ -
Acquired through business combination under common control (Note 4)	3,000,000	1.00	-	1.00
Outstanding at end of period	3,000,000	\$ 1.00	-	\$ 1.00
Exercisable at end of period	750,000	\$ 1.00	-	-

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 18 – Loss per share

The following table sets forth the computation of basic and diluted loss per share:

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Net loss attributable to shareholder	\$ (1,027,773)	\$ (374,506)
Weighted average number of shares outstanding – basic and diluted	41,310,969	1
Basic and diluted loss per share	\$ (0.02)	\$ (374,506)

For the periods presented, the diluted loss per share was the same as basic loss per share as the inclusion of convertible debentures and stock options would have been anti-dilutive. Accordingly, the diluted loss per share for the period was calculated using the basic weighted average number of common shares outstanding.

	Total Issued	Weighted Average Shares Basic	Diluted
Balance, September 18, 2020	-	-	-
Share issued on incorporation	1	1	1
Balance, December 31, 2020	1	1	1
Balance, January 1, 2021	1	1	1
Asset Acquisition Transaction, January 18, 2021	51,638,710	41,310,968	41,310,968
Common shares issued, March 16, 2021	150,000	25,000	25,000
Balance, March 31, 2021	51,788,711	41,335,969	41,335,969

Note 19 – Revenue

The Company's revenue disaggregated by product type is as follows:

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Provincially insured physician services	\$ 1,291,171 49%	\$ - n/a
Products and provincially non-insured physician services	630,964 24%	- n/a
Cannabis education	706,072 27%	- n/a
Total revenue	\$ 2,628,207 100%	\$ - n/a

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 20 – Selling, general and administrative expenses

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Wages and benefits	\$ 1,305,338	\$ 59,626
Professional fees	501,645	314,387
Rent and utilities	149,789	-
Public company costs	39,018	-
Marketing	9,947	-
Office expenses	147,683	493
Depreciation on property and equipment	164,729	-
	<u>\$ 2,318,149</u>	<u>\$ 374,506</u>

Note 21 – Finance expense

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Interest on lease liability	\$ 62,713	\$ -
Interest and financing fees	81,644	-
Gain on transition of convertible debentures from FVTPL to amortized cost	(86,869)	-
	<u>\$ 57,488</u>	<u>\$ -</u>
Financial liabilities at FVTPL		
Accretion expense	1,970	-
Net change in fair value	32,867	-
Total finance expense	<u>\$ 92,325</u>	<u>\$ -</u>

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 22 – Financial instruments

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities, amounts due to/from related parties, promissory note, Bridge notes and government loan payable approximates fair value due to the short-term nature.

The Company has convertible debts that have been classified entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate each of these instruments at FVTPL on initial recognition and, as such, the embedded conversion features are not separated and the embedded derivative and host debt are measured at fair value.

March 31, 2021	Financial assets at amortized cost	Assets/(liabilities) at FVTPL	Financial liabilities at amortized cost	Total
Cash	\$ 523,365	\$ -	\$ -	\$ 523,365
Accounts and other receivables	1,619,992	-	-	1,619,992
Due from related parties	358,879	-	-	358,879
Accounts payable and accrued liabilities	-	(146,000)	(2,486,722)	(2,632,722)
Due to related parties	-	-	(112,603)	(112,603)
Promissory note due to related party	-	-	(4,855,301)	(4,855,301)
Bridge notes	-	-	(758,294)	(758,294)
Government loan payable	-	-	(59,504)	(59,504)
Convertible debt	-	(2,098,005)	(2,315,015)	(4,413,020)
	<u>\$ 2,502,236</u>	<u>\$ (2,244,005)</u>	<u>\$ (10,587,439)</u>	<u>\$ (10,329,208)</u>

December 31, 2020	Financial assets at amortized cost	Assets/(liabilities) at FVTPL	Financial liabilities at amortized cost	Total
Cash	\$ 588	\$ -	\$ -	\$ 588
Accounts and other receivables	34,771	-	-	34,771
Accounts payable and accrued liabilities	-	-	(379,568)	(379,568)
Due to related parties	-	-	(30,296)	(30,296)
	<u>\$ 35,359</u>	<u>\$ -</u>	<u>\$ (409,864)</u>	<u>\$ (374,505)</u>

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

a) Financial liabilities at FVTPL

The Company has convertible debts that have been classified entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate each of these instruments at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value.

Pathway Health Corp.**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 22 – Financial instruments (continued)

The difference between the carrying amount and the Company's contractual obligation for repayment at maturity is summarized in the table below:

	March 31, 2021	December 31, 2020
Carrying amount		
Convertible debentures 2019	\$ 192,145	\$ -
Deferred acquisition costs	236,111	-
Hew Note	1,469,749	-
	<u>1,898,005</u>	<u>-</u>
Contractual repayment obligation at maturity		
Convertible debentures 2019	183,112	-
Deferred acquisition costs	250,000	-
Hew Note	1,356,027	-
	<u>1,789,139</u>	<u>-</u>
Difference between carrying amount and contractual repayment obligation at maturity	<u>\$ 108,866</u>	<u>\$ -</u>

b) Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and due from related parties. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables and due from related parties. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. For the three months ended March 31, 2021, the Company recorded writes offs of \$nil in trade and other receivables (\$nil write offs in trade and other receivables for the 104 days ended December 31, 2020).

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at March 31, 2021 of \$1,619,993 (December 31, 2020 - \$34,771). The Company's allowance for doubtful accounts as at March 31, 2021 is \$80,938 (December 31, 2020 - \$nil) based on specific invoices that were deemed likely to be uncollectable. As at March 31, 2021 the percentages of past due trade accounts receivable were as follows: 10.8% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. For the three months ended March 31, 2021, there was one customer that comprised of 21.9% of consolidated sales (\$nil revenues for the 104 days ended December 31, 2020). This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 22 – Financial instruments (continued)

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for March 31, 2021 and December 31, 2020 were \$nil.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting, including anticipated investing and financing activities. The Company will use internally generated cash flows, current cash balances, additional share issuances, and/or shareholder financing to cover its normal operating and capital expenditures for the next fiscal year.

The Company's contractual liabilities and obligations are as follows:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	\$ 2,632,722	\$ -	\$ -	\$ 2,632,722
Due to related parties	112,603	-	-	112,603
Promissory note due to related party	4,855,301	-	-	4,855,301
Lease liability	1,137,111	2,798,850	2,208,074	6,144,035
Redeemable preferred shares	25,819,355	-	-	25,819,355
Convertible debt	4,769,401	-	-	4,769,401
Government loan	-	80,000	-	80,000
	<u>\$ 39,326,493</u>	<u>\$ 2,878,850</u>	<u>\$ 2,208,074</u>	<u>\$ 44,413,417</u>

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

d) Foreign currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 23 – Fair value measurement

As at March 31, 2021 and December 31, 2020, the Company did not have any financial assets or liabilities measured at fair value on a recurring basis within Levels 1 or 2. There were no transfers between levels of the fair value hierarchy in either period. The reconciliation of the carrying amounts of financial instruments classified within Level 3 are as follows:

	Convertible debentures 2019	Deferred acquisition costs	Hew Note	Total
Balance, September 18 and December 31, 2020	\$ -	\$ -	\$ -	\$ -
Acquired through business combination under common control (Note 4)	186,287	236,111	1,440,770	1,863,168
Unrealized fair value losses recognized in finance expense	5,858	-	28,979	34,837
Balance at March 31, 2021	<u>\$ 192,145</u>	<u>\$ 236,111</u>	<u>\$ 1,469,749</u>	<u>\$ 1,898,005</u>

a) Valuation techniques and assumptions

The Company performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. Valuation techniques and significant assumptions related to the Company's liabilities measured at fair value on a recurring basis are disclosed below.

The conversion terms of the Company's convertible debentures, deferred acquisition costs and Hew Note are disclosed in Note 15.

Convertible debentures

The fair value of the convertible debentures is determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a discount for lack of marketability due to the 4 month hold required after conversion. The fair value of the convertible debentures at March 31, 2021 reflects the contractual conversion price as a percentage of the market price of 75% and estimated discount for lack of marketability of 15%.

Deferred acquisition costs

The fair value of the deferred acquisition cost is determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a discount for lack of marketability due to the 4 month hold required after conversion. The fair value of the deferred acquisition cost at March 31, 2021 reflects the contractual conversion price as a percentage of the market price of 90% and estimated discount for lack of marketability of 15%.

Hew Note

The fair value of the Hew Note is determined by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price. The fair value of the convertible debentures at March 31, 2021 reflects the contractual conversion price as a percentage of the market price of 90%.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 24 – Non-cash investing and financing activities

The Company had non-cash investing activities during the three months ended March 31, 2021 and 104 days ended December 31, 2020 as follows:

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Non-cash investing activities		
Right -of-use asset additions	\$ 261,462	\$ -
NCI proportionate investment in 10030712 Manitoba Ltd.	39,244	-

Note 25 – Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks. In the management of capital, the Company includes the components of shareholder's deficit and short-term and long-term liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, subject to availability different sources of funds, the Company may attempt to: issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to any externally imposed capital requirements. The Company does not payout dividends. There were no changes to management's capital management objectives, practices or policies in the year.

A summary of the Company's capital structure is as follows:

	March 31, 2021	December 31, 2020
Long-term debt	\$ 13,345,803	\$ -
Shareholder's deficiency	(32,508,583)	(374,505)
	<u>\$ (19,162,780)</u>	<u>\$ (374,505)</u>

The long-term debt figure above includes lease liability, convertible debt, promissory note due to related party, bridge notes and government loan payable.

Note 26 – Commitments and contingent liabilities

Legal claim contingencies

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 27 – Non-controlling interest

In December of 2018, the TCNC acquired 51 common shares of 10030712 Manitoba Ltd. (“Manitoba”) upon incorporation for \$0.10 per share for a total of \$5. The jointly established new operating company is a result of an agreement with Chief Peguis Investment Corp. (“Peguis”) and will provide interdisciplinary healthcare at a clinic in Manitoba, Canada. The Agreement is still being finalized. Manitoba is 51% owned by the Company, which did not arise as a result of a business combination, and 49% owned by Peguis, who acquired 49 common shares in December 2018 for \$5. The common shares were transferred from TCNC to Pathway as part of the Asset Acquisition Transaction on January 18, 2021 (see Note 4).

During the three months ended March 31, 2021, the Company and Peguis had non-cash contributions \$40,405 and \$39,244 and to Manitoba. The Company’s contributions to Manitoba are eliminated on consolidation.

Non-controlling interest has been recorded for Peguis’ share of Manitoba’s net loss for the year and proportionate investment in Manitoba through capital contributions.

Before intragroup eliminations, Manitoba’s assets and liabilities at March 31, 2021 were \$288,039 and \$15,956 respectively and its net loss for the three months ended March 31, 2021 was \$53,254. Manitoba’s cash flows for the three months ended March 31, 2021 were not material.

Note 28 – Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company’s chief operating decision maker, the Chief Executive Officer. The Company has a single reporting segment which is physician services, cannabis education, and product sales and maintenance relating to pain care management.

Information about geographic areas

The Company’s non-current assets are located in Canada and all of the Company’s revenues from external customers are generated in Canada.

Note 29 – Post reporting date events

On April 1, 2021, the Company entered into a set of agreements with Peguis, under which 10030712 Manitoba Ltd. (the “JV”) would lease two locations (Selkirk and Winnipeg, Manitoba) with an initial term of 5 years and an option for two additional renewal terms of 5 years each. As part of the lease and sublease, Peguis, in the form of loans to the JV, incurred \$595,402 (the “Selkirk Loan”) and \$448,361 (the “Winnipeg Loan”) in leasehold improvement costs in these two locations, respectively. Under the lease and sublease, the leasehold improvement loans will be amortized over the initial term plus all renewal terms of the lease and sublease (estimated maturity date of October 1, 2035) and will be added to the monthly lease payment of each location. Interest will accrue on the outstanding balance of the leasehold improvement loans at a rate of 6% per annum. The lease and sublease have been dated effective October 1, 2020. In addition, the JV would enter into a management agreement with Pathway under which Pathway would oversee its operations (the “Management Agreement”) until such time as Peguis or Pathway give notice and/or become insolvent or windup their business.

Pathway Health Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2021 and the 104 day period from the date of incorporation on September 18, 2020 to December 31, 2020

Note 29 – Post reporting date events (continued)

TCNC had previously purchased specific assets from Natural Health Services (“NHS”), a subsidiary of its parent Cura-Can. TCNC had also purchased certain clinical operational assets from National Access Canada Corporation (“NACC”) and Meta Growth Corporation (the “NHS and NACC Acquired Assets”). These assets were acquired by Pathway as part of the Asset Acquisition Transaction. The Company will contribute all of its right, title and interest in and to any part of the NHS and NACC Acquired Assets that solely related to the province of Manitoba and will provide a non-exclusive, royalty-free, fully paid up, non-transferable, non sub-licensable license to use the intellectual property in connection with the conduct of the operations of the clinics in Selkirk and Winnipeg, and to allocate revenues attributable to the current and former patients of NHS and NACC in those locations. In exchange for this contribution, Peguis agrees to make a capital contribution of \$250,000 per location (for a total of \$500,000) to 10030712 Manitoba Ltd. which will be offset against the Selkirk Loan and Winnipeg Loan. Subsequent to these contributions, the Company will continue to hold 51 shares, representing 51% of the issued and outstanding shares and 1002241 Manitoba Ltd. will continue to hold 49 shares, representing 49% of the issued and outstanding shares.

Schedule “F”
MANAGEMENT'S DISCUSSION AND ANALYSIS OF PATHWAY FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2021 AND THE PERIOD COMMENCING ON SEPTEMBER 18, 2020 TO
DECEMBER 31, 2020

**Management's Discussion & Analysis of
Pathway Health Corp.
For the three months ended March 31, 2021 and the 104 day period from the date of incorporation
on September 18, 2020 to December 31, 2020**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Pathway Health Corp. (the "Company", "Pathway", "we" or "our") constitutes management's review of the factors that affected the financial and operating performance for the three months ended March 31, 2021 ("the 2021 period") and one-hundred and four days ended December 31, 2020 ("the 2020 period"). This MD&A is dated May 31, 2021 and should be read in conjunction with the audited financial statements and accompanying notes for the period ended March 31, 2021.

The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars unless otherwise noted. For more detailed information regarding certain forward-looking statements contained herein, please see the note regarding "Forward-looking Statements".

As at March 31, 2021, the Company had a shareholders' deficiency of \$32.5 million (December 31, 2020 - \$0.4 million). The Company had a net loss of \$1.1 million for the three months ended March 31, 2021 (\$0.4 million for the 104 days ended December 31, 2020). In addition, the Company's current liabilities exceed its current assets by \$35.7 million (\$0.4 million at December 31, 2020). These balances indicate that there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Historically, management has been able to finance operations through related party financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

Forward-looking statements

This MD&A contains forward-looking information. This forward-looking information is not based on historical facts but rather on our expectations regarding the future growth of the Company and our respective results of operations, performance and business prospects and opportunities. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. This MD&A uses words such as "believe", "expect", "would", "will", "expects", "anticipates", "intends", "estimates", or similar expressions to identify forward-looking information. Such forward-looking information reflects our current beliefs based on information currently available to us.

This MD&A contains forward-looking information. The words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions typically are used to identify forward-looking statements. The use of forward-looking statements reflects our current views, expectations, estimates and/or projections with respect to our performance, business and future events, and in this MD&A includes statements relating to, among others: expectations regarding our business; expectations relating to our business goals, objectives and schedules; expectations regarding the cannabinoid based therapy industry, including Canada's position therein; expectations regarding the acceptance of cannabinoid based therapies in the medical community; expectations regarding our clinical development plans; and expectations regarding development of new intellectual property from cannabinoid product combinations. Forward-looking statements are based on the then-current expectations, forecasts and assumptions about the business and the industry and markets in which we operate, including, among others: that there will be no unforeseen delays, disruptions, market forces, regulations or laws that will prevent us from operating our business; and that we will be able to obtain the capital we require. Forward-looking statements are not

guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict, including, without limitation: that we may experience unforeseen delays, financing difficulties or costs that will impact our projects, operations, financial performance or liquidity; that we will not be able to advance our business plan or continue operations; that we will not be able to obtain insurance for our operations; that we will not be able to protect our intellectual property; that we will not be able to develop and commercialize, or obtain regulatory approvals to commercialize, products derived from our intellectual property; that we will not be able to recruit physicians for our clinics; that regulatory approvals of products developed from our intellectual property may result in significant delays; that development of cannabinoid based therapies may expose us to liability claims in excess of our insurance coverage; and those risks relating to the occurrence of national disasters, hostilities, acts of war or terrorism, our reputation, our key personnel, competition, employee relations, changes in the cannabinoid based therapy market generally, potential downturns in economic conditions, foreign exchange fluctuations, fluctuations in the currency markets, inflationary pressures, changes in interest rates, changes in regulatory requirements which may alter or prohibit investment in our business, or changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada or any other country in which we operate or intend to operate. These risks, as well as others, could cause actual results and events to differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A and we do not undertake any obligations to update such forward-looking statements, except as required by applicable securities law.

Description of business

Pathway Health Corp. is a private company, incorporated under the Canada Business Corporations Act on September 18, 2020. The Company's principal business is the operation of medical clinics that offer multidisciplinary therapies to patients that suffer from chronic pain, including pharmaceutical and medical cannabis-related therapies. The clinical services are delivered in inter-disciplinary pain clinics operated by Pathway and through virtual care by physicians and other health care providers, who are trained in managing chronic pain through assessment and multi-modality treatments that include minimally-invasive approaches, intravenous therapies, allied health methods and the prescription of medical cannabis which is supplied to the patient directly by Health Canada approved Licensed Producers.

As of the date of issuance, Pathway is a wholly-owned subsidiary of The Clinic Network Canada Inc. ("TCNC"), with its ultimate parent being Cura-Can Health Corp. ("Cura-Can"). The Company's registered office is located at 1500, 850 – 2 Street SW, Calgary, AB T2P 0R8.

Corporate update

TCNC Asset Acquisition Transaction

On January 18, 2021, Pathway entered into an asset and share purchase agreement ("Asset and Share Purchase Agreement") with TCNC, a wholly-owned subsidiary of Cura-Can, for purchase of all or substantially all of the operating assets of TCNC ("Asset Acquisition Transaction"). The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement was consisted of a \$4.9 million in a non-interest bearing demand promissory note and 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities of TCNC. The combining entities are ultimately controlled by the same parties prior to and subsequent to the business combination, which is considered a transaction under common control. The Company has elected to apply predecessor accounting to the transaction and as such, all assets and liabilities acquired are transferred at the carrying values from the predecessor company and no fair value adjustment was recorded. No goodwill is recorded for the difference between the net assets acquired and consideration paid, resulting in an adjustment to equity.

As a result of the Asset Acquisition Transaction, the consolidated financial statements of the Company include the financial statements of the Company and its wholly owned subsidiaries, 2563367 Ontario Ltd

(dba Silver Medical Group Centre for Pain Care), 9393 1681 Quebec Inc (dba Slawner Ortho Ltee), 1964433 Alberta Ltd., Pathway Healthcare Technologies Corp., Pathway Wellness Products Corp. and its 51% owned subsidiary 10030712 Manitoba Ltd. The results of the newly acquired subsidiaries were included on a prospective basis from January 18, 2021, the date of acquisition.

Qualifying Transaction and private placement

On January 29, 2021, Pathway entered into a definitive share exchange agreement with Colson Capital Corp. (TSXV:COLSP) ("Colson"), a capital pool company whose shares are listed on the NEX board of the TSX Venture Exchange. Colson will purchase all of the issued and outstanding shares of Pathway in 1:1 exchange for the issuance of post-consolidation Colson shares. Subject to certain conditions being met this would result in the reverse take-over of Colson by Pathway (the "RTO Transaction") to form the resulting issuer ("Resulting Issuer"). Upon completion of the RTO Transaction, it is anticipated that holders of Colson shares will own 2,856,171 post-closing shares of the Resulting Issuer. It is the intention of the parties that the Resulting Issuer will continue the business of Pathway, subject to certain terms and conditions. The RTO Transaction together with the Asset Acquisition Transaction is expected to constitute a Qualifying Transaction pursuant to the policies of the TSX Venture Exchange.

On March 16, 2021, Pathway completed a private placement in connection with the RTO Transaction. The private placement was completed through a syndicate of agents (collectively, the "Agents"). Pursuant to the private placement, Pathway issued 27,600,000 subscription receipts (the "Subscription Receipts") at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$13.8 million. The gross proceeds from the Private Placement, less a portion of the fees and expenses of the Agents (the "Escrowed Funds") have been delivered to the transfer agent. The Escrowed Funds shall be held by the transfer agent until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction (other than the release of the Escrowed Funds), the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions for a transaction of this nature.

The Agents were paid a cash commission equal to 8% of the aggregate gross proceeds (excluding proceeds raised from certain subscribers on a list provided by Pathway to the Agents (the "President's List"), for which the Agents were paid 2% of the gross proceeds. In addition, non-transferable broker warrants (the "Broker Warrants") equal to 8% of the Subscription Receipts sold (other than proceeds raised from President's List subscribers, for which the Agents were issued Broker Warrants equal to 2% of the gross proceeds). Additionally, \$0.1 million of gross proceeds under the Subscription Receipt Offering were subscribed for by Non-Arm's Length Parties of Pathway for which no commissions were paid to the Agents. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at an exercise price of \$0.50 per share. In addition the Agents were paid a corporate finance fee of \$0.15 million, comprised of a \$0.075 million cash payment and \$0.075 million in Pathway Common Shares at a deemed price of \$0.50 per share.

The Company has recorded \$0.9 million of deferred share issuance costs related incurred up to March 31, 2021 as part of the private placement. This amount includes an accrual for half of the Agent's fees which are non-refundable and related legal disbursements and expenses. Of this amount \$0.8 million is outstanding in accounts payable and accrued liabilities as at March 31, 2021.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for units ("Units") of Pathway, each Unit will be comprised of one Class A common share of Pathway and one-half of a Pathway Share purchase warrant. Each Pathway Share and each Pathway Warrant will, in accordance with the Share Exchange Agreement, subsequently be exchanged for one common share of the Resulting Issuer ("Resulting Issuer Shares") and one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). In addition, the Agent's Warrants will also be exchanged for equivalent instruments of the Resulting Issuer exercisable for Resulting Issuer Shares.

Impact of COVID-19 pandemic

In March 2020 there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically in regional economies in which the Company operates. As Pathway was incorporated in 2020 and had limited operations, the pandemic had minimal impact, however, the operations of TCNC acquired with the Asset Acquisition Transaction had been impacted and continue to be impacted by the pandemic. As a result, TCNC focused on moving to serve its patients through telemedicine where appropriate and was forced to close corporate offices and certain of its clinics, and temporarily layoff some of its employees and contractors, reduce hours of staff and receive government assistance in the form of Canadian Emergency Wage Subsidies (“CEWS”) and loans from the Canadian Emergency Business Account program (“CEBA”). The pandemic could continue to have a negative impact on the stock market, including the completion of the Qualifying Transaction and the Company’s ability to secure additional capital. These factors among others could have a significant impact on the Company’s operations. Management has given consideration as to the impact of COVID on the Company and concluded that the consolidated financial statements reflect and disclose management’s best estimate and uncertainty regarding the impact of COVID-19 on the Company’s future operations and financial results.

Bridge notes financing

On March 23 and 24th, the Company entered into agreements for the issuance of \$0.825 million (\$0.750 million net of loan fees) in bridge loan notes (“Bridge Notes”), including \$0.358 million with related parties. The Bridge Notes bear coupon interest at a rate of 10% per annum and mature at the earlier of September 22, 2021 and the occurrence of any events which constitute an event of default. The occurrence of an event of default includes but are not limited to, failure to pay the obligation on maturity, defaults in the performance of any material covenant, falsification of any representation or warranty under the Bridge note, insolvency, cessation or threat of cessation of business and impairment of ability to pay the obligation. The Bridge notes are subject to a minimum of 3 months accrued interest and fees if prepaid prior to the Maturity Date.

Guarantees

The Company also issued two guarantees to a company that is the majority shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can and Senior Secured Notes issued to TCNC. With regards to the credit facility, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees as at March 31, 2021. The maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021. The guarantee was previously issued by TCNC, however was then transferred to Pathway as part of the Asset and Share Purchase Agreement transaction. With regards to the Senior Secured Notes, the maximum amount the Company is exposed to under the guarantee as at March 31, 2021 is approximately \$857,000 which includes principal, accrued interest and exit fees on the loan. The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand.

Selected consolidated financial information

The following table sets forth selected consolidated data for the periods ended March 31, 2021 and December 31, 2020:

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Statement of operations data		
Revenue	\$ 2,628,207	\$ -
Loss before other items and income taxes	(882,662)	(374,506)
Net loss and comprehensive loss	(1,053,868)	(374,506)
Basic and diluted net (loss)/earnings per share		
	\$ (0.02)	\$ (374,506.00)
Statement of financial position:		
Total assets	\$ 9,401,900	\$ 35,359
Long-term liabilities	2,759,763	-

The fluctuations in reported results during these periods resulted primarily from the following factors:

- For the 104 days ended December 31, 2020, the Company did not have operations. Net loss consists of wages related to two employees and professional fees related to work setting up the Company, the Subscription Offering and the RTO transaction.
- The closing of the Asset Acquisition Transaction on January 18, 2021, resulted in the Company obtaining productive assets and working capital.

Review of operating results

Revenue and gross profit

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020	Change \$	Change %
Revenue				
Provincially insured physician services	\$ 1,291,171	\$ -	\$ 1,291,171	n/a
Products and provincially non-insured physician services	630,964	-	630,964	n/a
Cannabis education	706,072	-	706,072	n/a
Total revenue	<u>\$ 2,628,207</u>	<u>\$ -</u>	<u>\$ 2,628,207</u>	<u>n/a</u>
Cost of sales				
Consultants	\$ 956,977	\$ -	\$ 956,977	n/a
Cost of goods sold	147,356	-	147,356	n/a
Clinic and medical supplies	88,387	-	88,387	n/a
Total cost of sales	<u>\$ 1,192,720</u>	<u>\$ -</u>	<u>\$ 1,192,720</u>	<u>n/a</u>
Gross margin	\$ 1,435,487	\$ -	\$ 1,435,487	n/a

Revenues increased to \$2.6 million for the three months ended March 31, 2021 from \$nil in the 104 days ended December 31, 2020. The increase in revenues reflect the Asset Acquisition Transaction that closed January 18, 2021.

Provincially insured physician services refer to revenue generated for providing publicly accessible healthcare services that are reimbursed by the provincial health authorities. These services may be provided in a physical clinical setting or through telemedicine assessments. Products and provincially non-insured physicians services refer to services that are not eligible for government reimbursement and as such are charged directly to patients and/or third parties and mainly consist of custom orthotics, prosthetics and home health care products related revenues.

The Company generates revenue through the operation of nine physical inter-disciplinary clinics in four provinces, Quebec, Ontario, Manitoba and Saskatchewan, and the provision of virtual care across Canada. Pathway's clinical patient services are paid for by provincial health insurance, third party insurance companies and privately by patients. The clinics are operating under the trade names of: The Clinic Network; Slawner Ortho; Nature Medic; and Silver Centre for Pain Care.

Cannabis education revenues are earned when the Company provides a service to licensed producers under the Access to Cannabis for Medical Purposes Regulations that assist patients in selecting strains of medical cannabis and fulfilling the patient's order with a licensed producer of their choice. As a result of the Asset Acquisition Transaction, Pathway has 12 agreements across 28 licensed producer product brands for education grant revenues.

Selling, general and administrative expenses

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020	Change \$	Change %
Wages and benefits	\$ 1,305,338	\$ 59,626	\$ 1,245,712	2089%
Professional and consulting fees	501,645	314,387	187,258	60%
Rent and utilities	149,789	-	149,789	n/a
Public company costs	39,018	-	39,018	n/a
Marketing	9,947	-	9,947	n/a
Office expenses	147,683	493	147,190	29856%
Depreciation	164,729	-	164,729	n/a
	\$ 2,318,149	\$ 374,506	\$ 1,943,643	519%

Selling, general and administrative expenses increased to \$2.3 million for the three months ended March 31, 2021 from \$0.4 million in the 104 days ended December 31, 2020. The increase in expenses reflect the Asset Acquisition Transaction that closed January 18, 2021 and the transition of all the employees from TCNC to Pathway for nine clinical locations. Expenses in the 104 days ended December 31, 2020 mainly reflect the salaries of two individuals for one month and legal and professional fees related to the RTO transaction.

Finance expense

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020	Change \$	Change %
Other expense/(income)				
Finance expense	\$ 92,325	\$ -	\$ 92,325	n/a
Amortization	31,660	-	31,660	n/a
Share-based compensation	96,779	-	96,779	n/a
Gain on remeasurement of contingent liability	(24,000)	-	(24,000)	n/a
Government grant	(25,558)	-	(25,558)	n/a
	\$ 171,206	\$ -	\$ 171,206	n/a

Finance and other expenses have increased to \$0.1 million for the three months ended March 31, 2021 compared to \$nil for the 104 days ended December 31, 2020. The increase in expenses reflect the Asset

Acquisition Transaction that closed January 18, 2021 and the assumption of convertible debt from TCNC and government loans with a net book value of \$4.5 million. The amortization expense in the three months ended March 31, 2021 reflects the addition of \$1.4 million of intangible assets obtained through the Asset Acquisition Transaction.

As part of the Asset Acquisition Transaction, the Company assumed contingent consideration with a fair value of \$0.17 million related to the TCNC acquisition of certain assets from National Access Canada Corp. ("NACC") and its sole shareholder, Meta Growth Corp. ("Meta") in fiscal 2020. The related acquired assets were also transferred to Pathway as part of the Asset Acquisition Transaction. The contingent consideration was based on a potential earn-out bonus of up to \$0.3 million. The earn-out bonus is determined based on the number of patients on the patient list transferred that renew their annual medical document in the first 12 months after closing. The earn-out bonus is payable in common shares, if the Company's shares are listed on a public exchange within 12 months of closing, or cash. At March 31, 2021, on review of the results, management adjusted the fair value of the contingent consideration to \$0.146 million based on the Company's estimate of the probability of performance targets being achieved. The change in the estimate of fair value, \$0.024 million, is recognized in profit and loss as a gain on remeasurement of contingent consideration.

There is a stock-based compensation arrangement in place for directors, officers, employees and consultants. In 2019, certain management members of the Company were granted stock options under its parent company's plan. These management members transferred their employment agreement to the Company as part of the Asset Acquisition. The share-based compensation expense relates to the 3,000,000 options granted to these management members.

During the three months ended March 31, 2021, the Company received an additional \$0.04 million line of credit under the Canadian Emergency Business Account ("CEBA") program funded by the Government of Canada). The loans are non-interest bearing and due on December 31, 2022. Repayment of the loans before December 31, 2022 will result in loan forgiveness of 33.3% of the loan balance. After January 1, 2023, the loans may be converted into a 3-year term loans at a fixed annual interest rate of 5%. The CEBA loans received in the three months ended March 31, 2021 were initially fair valued using a discount rate of 17% and the difference between the principal and fair value amount of \$0.03 million was recognized as a government grant on the consolidated statement of loss during the three months ended March 31, 2021.

Financial position

The following table presents a summary of the Company's financial position:

	March 31, 2021	December 31, 2020	Change \$	Change %
Working capital deficiency*	\$ (35,684,484)	\$ (374,505)	\$(35,309,979)	9428%
Non-current assets	5,935,664	-	5,935,664	n/a
Long-term obligations	2,759,763	-	2,759,763	n/a
Shareholders' deficiency	(32,508,583)	(374,505)	(32,134,078)	8580%

* see "Non-IFRS financial measures" section

Working capital

The working capital decreased from a deficiency of \$0.4 million at December 31, 2020 to a deficiency of \$35.7 million at March 31, 2021 due to the impact of the Asset Acquisition Transaction. As part of the Asset Acquisition Transaction, the Company issued \$25.8 million of preferred shares which are classified as a current liability due to the redemption rights of the holder, \$2.7 million in current assets, \$6.3 million in other current liabilities and issued \$4.9 million of a non-interest promissory note to TCNC as part of the acquisition price. Furthermore, in March 2021, the Company issued \$0.8 million in Bridge Note financing to help with the working capital needs of the Company until it gets access to the Escrowed Funds.

Non-current assets

The Company did not have any non-current assets as at December 31, 2020. Non-current assets as at March 31, 2021 consists of due from related parties balances, property and equipment, intangible assets and goodwill.

The \$3.6 million increase in property and equipment from December 31, 2020 to March 31, 2021 is mainly a result of:

- \$3.5 million in net book value of property and equipment acquired as part of the Asset Acquisition Transaction
- \$0.3 million of additions, mainly in right-of-use assets due to the signing of a new leased space in Quebec
- Offset by \$0.2 million in depreciation expense

Intangible assets consists of values related to group billing numbers, brand, customer list, standard operating procedures and software. The \$1.4 million increase in intangible assets for the three months ended March 31, 2021 is mainly a result of the \$1.4 million of net intangible assets acquired as part of the Asset Acquisition Transaction, offset by \$0.03 million in amortization expense.

The \$0.6 million increase in goodwill for the three months ended March 31, 2021 is mainly a result of the goodwill acquired as part of the Asset Acquisition Transaction.

Long-term obligations

As at March 31, 2021 long-term obligations consist of lease liability and government loan payable, most of which were assumed as part of the Asset Acquisition Transaction. As at December 31, 2020 there were no long-term obligations.

See the section “Liquidity and capital resources” for more detail.

Lease liability

Lease liability balance relates to the application of IFRS 16 *Leases* standard. The increase in the lease liability balance of \$3.3 million from December 31, 2020 to March 31, 2021 are mainly due to:

- \$3.1 million of lease liability assumed as part of the Asset Acquisition Transaction
- \$0.3 million addition of lease liability related to a newly leased clinical location in Quebec
- Offset by \$0.2 million of lease liability repayments.

Shareholders' deficiency

The Company is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares, an unlimited number of Class C Preferred Shares, issuable in series, an unlimited number of Class D Preferred Shares and an unlimited number of Class E Preferred Shares. As at March 31, 2021 there are 150,001 Class A common shares, 10,093,484 Class C Preferred Shares and 41,545,226 Class D Preferred Shares outstanding. As at March 31, 2021, the Company had 3,000,000 stock options outstanding with a weighted average exercise price of \$1.00.

Shareholders' deficiency increased by \$32.1 million from December 31, 2020 to March 31, 2021 mainly due to the Asset Acquisition Transaction and net loss of \$1.1 million. As part of the Asset Acquisition Transaction, the Company issued 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares to TCNC. Each Class C and each Class D shares were valued at \$0.50 per share, resulting in a total share capital amount of \$25.8 million. However, the preferred shares were classified as a current liability due to the redemption rights of the shareholder. The total net assets recognized as part of the Asset Acquisition Transaction of \$31.4 million was recorded in contributed surplus. Other additions to shareholders' deficiency include share-based compensation of \$0.1 million, equity component of

convertible debenture of \$0.1 million and \$0.1 million of common shares issued to the Agents as part of the financing fee for the private placement.

Liquidity and capital resources

Liquidity risk

Due to related parties

As at March 31, 2021 there is a non-interest demand promissory note totaling \$4.9 million that was issued as part of the Asset Acquisition Transaction to TCNC.

On September 23, 2020, Slawner Ortho entered into a demand grid promissory note due to Cura-Can, for gross proceeds of \$0.08 million and a \$0.008 million financing fee which was added on to the principal balance. The promissory note bears interest at 12% per annum and is due on demand. As of March 31, 2021, there was \$0.088 million outstanding on the promissory note.

The Company also issued two guarantees to a company that is the majority shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can and Senior Secured Notes issued to TCNC. With regards to the credit facility, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees as at March 31, 2021. The maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021. The guarantee was previously issued by TCNC, however was then transferred to Pathway as part of the Asset and Share Purchase Agreement transaction. With regards to the Senior Secured Notes, the maximum amount the Company is exposed to under the guarantee as at March 31, 2021 is approximately \$857,000 which includes principal, accrued interest and exit fees on the loan. The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand.

Government loan payable

Silver and Slawner Ortho were approved for and received \$0.06 million lines of credit under the Canadian Emergency Business Account (“CEBA”) program funded by the Government of Canada, for a consolidated amount of \$0.12 million. Of this amount \$0.04 million was received in the three months ended March 31, 2021 and the remaining \$0.08 million was assumed as part of the Asset and Share Purchase Agreement on January 18, 2021. The government loan payable had an amortized balance of \$0.04 million at the time of the Asset and Share Purchase Agreement. The loans are non-interest bearing and due on December 31, 2022. Repayment of the loans before December 31, 2022 will result in loan forgiveness of 33.3% of the loan balance. After January 1, 2023, the loans may be converted into a 3-year term loans at a fixed annual interest rate of 5%.

The \$0.04 million CEBA loans received in the three months ended March 31, 2021 were initially fair valued using a discount rate of 17% and was measured at \$0.01 million with the difference of \$0.03 million being recognized as a government grant on the consolidated statement of loss during the three months ended March 31, 2021.

The amortized cost of the CEBA loans are \$0.6 million as at March 31, 2021.

Bridge notes

On March 23 and 24th, the Company entered into agreements for the issuance of \$0.83 million (\$0.75 million net of loan fees) in bridge loan notes (“Bridge Notes”), including \$0.36 million with related parties.

The Bridge notes bear coupon interest at a rate of 10% per annum and mature at the earlier of September 22, 2021 and the occurrence of any events which constitute an event of default. The occurrence of an event of default includes but are not limited to, failure to pay the obligation on maturity, defaults in the performance of any material covenant, falsification of any representation or warranty under the Bridge note, insolvency, cessation or threat of cessation of business and impairment of ability to pay the obligation. The Bridge notes are subject to a minimum of 3 months accrued interest and fees if prepaid prior to the Maturity Date.

As at March 31, 2021 there was \$0.8 million outstanding on the Bridge notes.

Convertible debentures 2019

During the year ended December 31, 2019, TCNC issued \$0.05 million and \$0.1 million of unsecured convertible debentures, subordinated to senior debt, that mature on August 2021 and October 2021, respectively. These debentures were assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021. The debentures were transferred to the Company from TCNC at the net book value on the date of transfer of \$0.2 million.

The debentures bear interest at 10% per annum with interest accrued due at the end of the term. Pursuant to the terms of the debentures, the Company will have the option to satisfy the principal and interest payments through the issuance of common shares.

The debentures are convertible into common shares at an amount equal to 75% of the price or deemed price of the Common Shares on a per share basis, as set forth in the definitive documentation to be signed by the applicable parties in relation to a Qualified Financing or Liquidity Event. A Qualified Financing is the issuance of common shares in a transaction or series of related transactions resulting in aggregate gross proceeds to the Company of at least \$10.0 million, excluding conversion of the debentures and any other indebtedness. A Liquidity Event is defined as a transaction directly or indirectly giving rise to a stock exchange listing, the sale or exchange of all or substantially all the shares of the Company, a merger, amalgamation or similar arrangement, the sale of all or substantially all the assets of the Company followed by dividends or distributions or such other transaction as is determined to be a liquidity event by the Board of Directors.

The debentures are redeemable at the option of the Company on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice. As the number of shares issued on conversion will vary depending on the deemed price of the common shares, this feature has been classified as an embedded derivative.

The Company has classified the convertible debentures entirely as liabilities because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

At March 31, 2021, these convertible debentures had principal and accrued interest outstanding of \$0.17 million, which resulted in a fair value of \$0.19 million.

Convertible debentures 2020

Between November 10, 2020 to January 17, 2021, TCNC issued unsecured convertible debentures of \$2.3 million. These debentures were assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021. The debenture was transferred to the Company from TCNC at net book value on the date of transfer of \$2.4 million.

The unsecured convertible debentures mature 24 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction.

Prior to the Asset Acquisition Transaction, the convertible debentures were classified entirely as liabilities because the number of shares that would be issued on conversion varied. The election was made to designate the convertible debentures at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated, and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

On the closing of the Asset Acquisition Transaction, the conversion price of the debentures became fixed at 75% of \$0.50, which is the price of the Pathway shares established in the Asset Acquisition Transaction. As such, the debenture can subsequently be converted at a fixed rate for a fixed amount of shares ("fixed-for-fixed"). As the fixed-for-fixed criteria has been satisfied, management has elected to reclassify the convertible debenture into debt and equity components. The liability component of the debenture was calculated using the discounted cash flows for the instrument assuming the effective interest rate of 11.32% (\$2.3 million). The effective interest rate was based on the estimated rate for a debenture with similar terms but without a conversion feature. The fair value of the equity component (conversion feature - \$0.7 million) was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal balance at maturity. The accretion is presented as a finance cost.

The difference between the fair value of the debentures at the Asset Acquisition Transaction date calculated under the fair value option and the initial recalculated debt and equity portions calculated above resulted in a gain of \$0.09 million, which is recognized in finance expense in the consolidated statement of loss.

At March 31, 2021, these convertible debentures had principal and accrued interest outstanding of \$2.4 million.

Deferred acquisition costs

On August 31, 2020, TCNC acquired the assets of Nature Medic Inc. ("NMI") for the purchase price of \$0.4 million, including contingent consideration of \$0.05 million. Consideration transferred included cash of \$0.1 million and an unsecured non-interest bearing 12-month convertible promissory note for up to \$0.3 million of which \$0.05 million is contingent on financial performance. The contingent payment of \$0.05 million was recorded at its estimated fair value of \$nil. The convertible promissory note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021. The promissory note was transferred to the Company from TCNC at net book value on the date of transfer of \$0.24 million.

The \$0.25 million convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. The Company may repay the note with out notice or penalty. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discount from the listed share price. On conversion, the convertible promissory note will have a four month hold period. If the value of the converted shares is less than the value of indebtedness after the hold period, then the Company will either: (i) issue additional common shares to NMI equal to the indebtedness

less the value of the converted shares on the date immediate after the hold period (“hold value”); (ii) pay to NMI an amount equal to the hold value in cash.

With the conversion features of the convertible promissory note, there is an obligation to issue a variable number of shares, consequently the conversion feature is an embedded derivative and is classified as a liability as it fails the “fixed for fixed” criterion. The Company has classified the convertible promissory note as a financial liability at fair value through profit and loss (FVTPL) under IFRS 9 Financial Instruments. On March 31, 2021 the fair value of the convertible promissory note was \$0.24 million. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

Convertible note

On March 6, 2020, TCNC acquired certain assets from National Access Cannabis Medical (“NACM”) for an aggregate purchase price of \$1.2 million, including a convertible note of \$0.2 million and a maximum earn-out bonus of \$1.0 million. The convertible note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021. The convertible note was transferred to the Company from TCNC at net book value on the date of transfer of \$0.2 million.

The \$0.2 million convertible note matures September 6, 2021 and may be repaid prior to maturity, at the Company’s option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no liquidity event occurs prior to maturity, the note shall be paid in cash. The conversion terms, allow NACM to convert the promissory note into a number of shares equal, on conversion, to the face value of the note at their deemed market value. This fails the “fixed for fixed” criterion because a variable number of shares will be issued to extinguish a fixed liability amount. The conversion feature would typically be classified as a derivative liability, but as the conversion price is set at the conversion date market share price or rather deemed market share price, the derivative liability has no value. As such, the fair value of the debt equals its transaction price of \$0.2 million.

Hew Note

Cura-Can, entered into a Secured Convertible Promissory Note (“Hew Note”) dated November 5, 2019 for a principal amount of \$1.15 million with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can’s obligations under the Hew Note for principal payments of \$1.15 million and \$0.14 million in accrued interest in exchange for a reduction of TCNC’s amount owing to Cura-Can under a non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note was assumed by the Company as part of the Asset Acquisition Transaction that closed on January 18, 2021. The Hew Note was transferred to the Company from TCNC at net book value on the date of transfer of \$1.44 million.

The Hew Note is convertible into Class E preferred shares of the Company at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to a liquidity event, qualified financing or change of control. The Hew Note is secured by a general security agreement covering all present and after acquired property of the Company.

The Company has classified the Hew Note entirely as a liability because the number of shares that would be issued on conversion varies. The Company has elected to designate the convertible debentures at FVTPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price.

At March 31, 2021, the Hew Note had principal and accrued interest outstanding of \$1.3 million, which

resulted in a fair value of \$1.47 million.

Cash flows

As at March 31, 2021 the Company had a cash balance of \$0.5 million.

The cash outflow from operating activities for the three months ended March 31, 2021 is a result of \$1.1 million net loss, \$0.03 million outflow from working capital, offset by \$0.3 million in non-cash and finance expenses.

The cash inflow from financing activities for the three months ended March 31, 2021 is a result of \$0.7 million received from convertible debentures, \$0.8 million from Bridge Notes and \$0.04 million received from the CEBA program. This is offset by the \$0.3 million advanced to related parties, \$0.2 million repayment of lease liabilities and \$0.06 million of interest paid related to the lease liabilities.

The cash inflow from investing activities are due to \$0.4 million acquired as part of the Asset Acquisition Transaction, offset by \$0.01 million of property and equipment additions.

For the 104 day period ended December 31, 2020, the Company had a minimal cash on hand. The net loss and increase in accounts receivable, was offset by increases in accounts payable and accrued liabilities and due to related party balances.

Management believes that the Company has sufficient resources to continue with continued related party funding until the Subscription Offering and RTO transaction can be completed.

Contractual obligations and commitments

As at March 31, 2021 and in the normal course of business, the Company has the following obligations to make future payments, representing contracts and other commitments that are known and committed.

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	\$ 2,632,722	\$ -	\$ -	\$ 2,632,722
Due to related parties	112,603	-	-	112,603
Promissory note due to related party	4,855,301	-	-	4,855,301
Lease liability	1,137,111	2,798,850	2,208,074	6,144,035
Redeemable preferred shares	25,819,355	-	-	25,819,355
Convertible debt	4,769,401	-	-	4,769,401
Government loan	-	80,000	-	80,000
	<u>\$ 39,326,493</u>	<u>\$ 2,878,850</u>	<u>\$ 2,208,074</u>	<u>\$ 44,413,417</u>

Unless otherwise noted, the above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

Related party transactions

The Company's related parties are directors and key management personnel, as well as any companies controlled by its parent, key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balance and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Related party balance consists of amounts owing from related parties:

	March 31, 2021	December 31, 2020
Due from Involved Medicine, a subsidiary of Cura-Can	\$ 56,194	\$ -
Due from TCNC, a subsidiary of Cura-Can	302,685	-
	<u>\$ 358,879</u>	<u>\$ -</u>

Related party balance consists of amounts owing to related parties:

	March 31, 2021	December 31, 2020
Due to TCNC, a subsidiary of Cura-Can	\$ -	\$ 30,296
Due to Cura-Can	24,603	-
Promissory grid note due to Cura-Can	88,000	-
	<u>\$ 112,603</u>	<u>\$ 30,296</u>

Aside from the promissory grid note, the amounts above are non-interest bearing and have no fixed term of repayments. See the “Liquidity and capital resources” section for more details on the promissory grid note of \$0.88 million to Cura-Can and the promissory note of \$4.9 million due to TCN.

Other related party transactions

In fiscal 2020, certain members of management participated in the convertible debentures TCNC issued for a total of a \$0.025 million principal investment. These debentures were assumed by Pathway as part of the Asset Acquisition Transaction. See “Liquidity and capital resources” section for details on the terms of the convertible debentures.

Certain members of management also participated in the Bridge notes. See “Liquidity and capital resources” section for details and terms of the debt.

The Company also issued two guarantees to a company that is the majority shareholder of, and jointly-controlled by the director of, its parent company (Cura-Can) in respect of a credit facility granted to Cura-Can and Senior Secured Notes issued to TCNC. With regards to the credit facility, the maximum amount the Company is exposed to under the guarantee it provided to the lender increased to approximately \$18.8 million, which is the maximum amount that may be drawn under the facility plus estimated accrued interest and fees as at March 31, 2021. The maturity date of the credit facility was amended to mature the earlier of: (i) the occurrence of an event of default and the subsequent written demand for repayment by the lender; and (ii) May 31, 2021. The guarantee was previously issued by TCNC, however was then transferred to Pathway as part of the Asset and Share Purchase Agreement transaction. With regards to the Senior Secured Notes, the maximum amount the Company is exposed to under the guarantee as at March 31, 2021 is approximately \$857,000 which includes principal, accrued interest and exit fees on the loan. The Series I Notes mature at dates ranging from April 15 – June 24, 2021 and the Series II Notes mature on October 27, 2021. After maturity the Notes are due on demand.

See “TCNC Asset Acquisition Transaction” under Corporate update section for details on the preferred share issuance to TCNC as a result of the Asset Acquisition Transaction. The deemed consideration payable under the TCNC Asset Acquisition pursuant to the Asset and Share Purchase Agreement was consisted of \$4.9 million in a non-interest bearing demand promissory note and 10,093,484 Class C preferred shares and 41,545,226 Class D preferred shares as well as the assumption of certain liabilities of TCNC. The preferred shares were classified as a liability due to the redemption rights of the holder.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration of these individuals for the period are as follows:

	For the three months ended March 31, 2021	For the 104 days ended December 31, 2020
Compensation (including benefits)	\$ 340,817	\$ 47,698
Share-based compensation	96,779	-
	<u>\$ 437,596</u>	<u>\$ 47,698</u>

Financial instruments

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities, amounts due to/from related parties, promissory note, Bridge notes and government loan payable approximates fair value due to the short-term nature.

The Company is exposed to risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

Credit Risk

Credit risk arises from the possibility that the entities to which the Company provides services or related parties to which it has loaned funds may experience financial difficulty and be unable to fulfil their obligations. Financial instruments that potentially subject the Company to credit risk include cash, trade and other receivables and due from related parties. The Company's cash on deposit is held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, accounts and other receivables and due from related parties. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries provisions for possible losses arising from credit risk associated with financial assets.

The Company monitors receivables against an expected credit loss model. Individual invoices within trade receivables are written off when there is no reasonable expectation of collection. Losses from trade accounts receivables have not historically been significant. For the three months ended March 31, 2021, the Company recorded writes offs of \$nil in trade and other receivables (\$nil write offs in trade and other receivables for the 104 days ended December 31, 2020).

The Company's maximum exposure to credit risk for trade and other receivables is the carrying value of its accounts and other receivables balance at March 31, 2021 of \$1.6 million (December 31, 2020 - \$0.03 million). The Company's allowance for doubtful accounts as at March 31, 2021 is \$0.1 million (December 31, 2020 - \$nil) based on specific invoices that were deemed likely to be uncollectable. As at March 31, 2021 the percentages of past due trade accounts receivable were as follows: 10.8% past due greater than 61 days. It is management's view that these balances have a low risk of not being collected. For the three months ended March 31, 2021, there was one customer that comprised of 21.9% of consolidated sales (\$nil revenues for the 104 days ended December 31, 2020). This main customer is considered to have good credit quality and historically has had a high-quality credit rating.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for March 31, 2021 and December 31, 2020 were \$nil.

Foreign currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is not subjected to material foreign currency risk as it does not have significant current assets and liabilities denominated in foreign currencies.

Off Balance Sheet Arrangements

At March 31, 2021 and December 31, 2020, the Company did not have any off balance sheet arrangements to disclose.

Accounting pronouncements

The accounting policies applied are consistent with the significant accounting policies used in the preparation of the audited annual consolidated financial statements for the three months ended March 31, 2021.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material effect on the Company in the current or future reporting standards.

Critical accounting estimates

Estimates

The following are estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities:

a) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and market comparable based multiples.

In certain acquisitions, the company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income/loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

b) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

c) Accounts and other receivables

The valuation of accounts and other receivables is based on management's best estimate of the provision for doubtful accounts based on expected credit losses. Management monitors receivables for indicators of impairment on an ongoing basis. The amount recognized as impairment is based on management's past experience and future expectations related to the financial conditions of customers, the value of the receivables and economic trends impacting the product markets in which the Company participates. The reversal of any impairment of receivables would be recognized in the consolidated statement of loss in the period in which the reversal occurred.

d) Income tax

The Company makes estimates in respect of deferred tax liabilities and deferred tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax law could limit the ability of the Company to obtain tax deductions from deferred tax assets.

e) Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

f) Convertible debentures

Convertible debentures that can be converted into a fixed number of equity instruments have been separated into liability and equity components for accounting purposes based on the residual value method, whereby the fair value of the liability component is measured first with the residual value being allocated to the conversion feature. The fair value of the liability component is measured using a discount rate for a similar financial instrument without the conversion feature. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal at maturity.

g) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

h) Leases

The Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

i) Impairment and reversal of impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying amount.

The fair value less cost of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal or impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could then have significant impact on the recoverable amount.

j) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Changes in assumptions could significantly affect the reported fair value of the financial instruments and estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

k) Going concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgments and assumptions, taking into account all known future information.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. The Company has established and applied a provision matrix to the trade accounts receivable balances in order to calculate an allowance for expected credit losses. Actual collectability of customer balances can vary from the Company's estimation.

b) Impairment of non-financial assets

The Company tests property, plant and equipment and intangible assets for impairment if indicators are present. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually. An impairment loss is recognized for the amount by which the carrying amount of the CGU, or group of CGUs, to which the property, plant and equipment, intangible asset and goodwill is allocated exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future cash flows which are based in future events and circumstances.

c) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or economic limits or uncertainties is assessed individually by management based on specific circumstances.

Non-IFRS financial measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from its perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, these are non-IFRS measures that may be limited in their usefulness to investors.

Working capital is a non-IFRS measure calculated as current assets less current liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time.

Legal claim contingencies

In the normal course of business, the Company may be the subject of litigation claims. While management assesses the merits of each lawsuit and defends itself accordingly, they may be required to devote significant resources to defending itself against such litigation.

Risk Factors

Prior to making an investment decision, investors should consider the investment risks set forth below, as well as other information contained in the MD&A. The risks and uncertainties described below are not an exhaustive list. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct the business, changes in health care laws and governmental regulations, and various other factors may significantly impact the ability of the Company's ability to generate revenues. Certain significant expenditures including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate its clinics, regardless of whether the Company is generating revenue.

Unfavorable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis' medicinal therapies. Medicinal cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to use of medical marijuana may have a material adverse effect on the Company (and the Company's subsidiaries) operational results, consumer base and financial results.

Patient Acquisitions

The Company's success depends on its ability to attract and retain patients. There are many factors which could impact the Company's ability to attract and retain patients, including but not limited to the successful implementation of the Company's patient-acquisition plans and the continued growth in the aggregate number of patients selecting medical marijuana as a treatment option. The Company's failure to acquire and retain patients as clients would have a material adverse effect on the Company's (and its subsidiaries) business, operating results and financial condition.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing, and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Development Risks

The future development of the Company's business may not yield expected returns and may strain management resources. Development of the Company's revenue streams is subject to a number of risks,

including cost overruns, financing risks, cancellation of key service contracts, and changes in government regulations. Overall costs may significantly exceed that costs that are estimated for a particular development, which could result in reduced returns, or even losses, from such investments.

Growth Management

The Company plans to grow rapidly and significantly expand its operations. This growth will place a significant strain on management systems and resources. The Company will not be able to implement our business strategy in a rapidly evolving market, without an effective planning and management process. To date, the Company has implemented some managerial, informational, operational and financial systems and controls, however, there can be no assurance these systems and controls will be adequate. The Company may be required to manage multiple relationships with various strategic partners, users, advertisers and other third parties. These requirements will be strained in the event of rapid growth, or a large increase in the number of third-party relationships the Company has, as its systems, procedures or controls may not be adequate to support increased operations and management may be unable to manage growth effectively. To manage the planned growth, the Company will be required to significantly improve or replace existing managerial, informational, financial and operational systems, procedures and controls, and to expand, train and manage its intended growing base of personnel. The Company may also be required to expand its finance, administrative and operations staff. The Company may be unable to complete in a timely manner the improvements to its systems, procedures and controls necessary to support future operations, management may be unable to hire, train, retain, motivate and manage required personnel and management may be unable to successfully identify, manage and exploit existing and potential market opportunities.

Acquisitions and integration of new businesses create risks and may affect operating results

The Company may acquire additional businesses. The Company's M&A strategy involves a number of risks related to the realization of synergies and overall integration of the Company's operations, including but not limited to, human resources, company culture, product/service pricing, information technology, data integrity, information systems, business processes and financial management. COVID-19 may affect the ability of the Company to find new attractive acquisition opportunities and/or could impact the Company's ability to execute on the integration of pending acquisition opportunities.

Operating Risk and Insurance Coverage

The Company maintains insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company may be exposed. The Company may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that have a material adverse effect upon the Company's financial performance and results of operations.

Dependence upon Key Management Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants (the "Key Personnel"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are

customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Reliance on Physicians and Other Healthcare Professionals

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future due to any sort of reason including infection due to COVID-19, this would cause interruptions in the Company's business until mitigated accordingly. As such, vacancies and disabilities relating to the Company's medical staff may cause interruptions in Company's business and result in lower revenues. As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Reliance on Third Parties

The Company relies heavily on third parties such as its IT service provider, Licensed Producer partners and medical supply vendors to provide some of its goods and services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such goods and services, the Company would need to obtain such goods or services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these goods and services are replaced if possible.

Operational Dependence

The Company relies heavily on third parties such as its IT service provider, Licensed Producer partners and medical supply vendors to provide some of its goods and services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such goods and services, the Company would need to obtain such goods or services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these goods and services are replaced if possible.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Development and sale of new products

The Company may not be able to successfully develop new products or find a market for their sale. The medical and non-medical cannabis industries are in their early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by us. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authorities, which may take significant amounts of time and entail significant costs. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory

approval processes, may have a material adverse effect on our business, financial condition and operations.

Product Liability

The Company intends to develop and launch health products, some of which may be classified by Health Canada as Schedule 2 drugs (with prescription) and Schedule 3 over the -counter (no prescription). Should the Company become a distributor of products, it faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Branding and advertising restrictions

Restrictions on branding and advertising may negatively impact the Company's ability to attract and retain customers. The Company's success depends on their ability to attract and retain patients and customers. *The Cannabis Act* strictly regulates the way cannabis is packaged, labelled, and displayed. The associated provisions are quite broad and are subject to change. It is currently prohibited to use testimonials and endorsements, depict people, characters and animals and produce any packaging that may be appealing to young people. The restrictions on packaging, labelling, and the display of our cannabis products may adversely impact our ability to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This may ultimately have a material adverse effect on business, financial conditions and operations.

Health impacts on cannabis use

There may be unknown health impacts associated with the use of cannabis and cannabis derivative products. There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using cannabis and cannabis derivative products. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Cybersecurity

The Company relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. As a result, the Company and/or its patients are exposed to risks related to cybersecurity. Such risks may include unauthorized access, use, or disclosure of sensitive information (including confidential patient health records), corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware).

Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked. The Company's operations depend, in part, on how well it protects networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to damage to hardware, computer viruses, hacking and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

A compromise of the Company's information technology or confidential information, or that of the Company's patients and third parties with whom the Company interacts, may result in negative consequences, including the inability to process patient transactions, reputational harm affecting patient and/or investor confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on the Company's business, financial position, results of operations or cash flows. As the Company has access to sensitive and confidential information, including personal information and personal health information, and since the Company may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees), there is a risk that sensitive and confidential information, including personal information and personal health information, may be disclosed through improper use of the Company's systems, software solutions or networks or that there may be unauthorized access, use, disclosure, modification or destruction of such information. The Company's on-going risk and exposure to these matters is partially attributable to, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, malfunction, human error, technological error or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of patients of the Company and specifically their medical histories. There can be no assurance that the Company's policies, procedures and systems will be sufficient to address the privacy concerns of existing and future patients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a patient's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Litigation

The Company may become party to litigation from time to time in the ordinary course which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such decision could adversely affect the Company's ability to continue operating and the value of the Company Shares and require the Company to devote significant resources to such matters.

Government Regulation

The Company's operations may be subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in the imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all governmental laws and regulations. The Licensed Producers that provide medical marijuana to the Company's patients will be subject to various federal, provincial and municipal laws relating to the ACMPR in Canada. While there are currently no indications that the Company requires approval from Health Canada, such approval

may ultimately be required. There can be no assurance that changes in the laws and regulations will not have an adverse effect on the Company's business.

The current and future operations of the Company are and will be governed by the laws and regulations governing the health care industry, labour standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing operations and activities of health clinics, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or costs, or reduction in levels of its medical services.

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's business operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a material adverse effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including all matters relating to COVID-19, the number and size of acquisitions consummated (if any), rate of growth of its client base, the cost of expanding into new markets (if any), the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture. There can be no assurance that additional funding will be available, or if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued

to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Company and the price of the Company's securities could be adversely affected.

COVID-19 Pandemic and Other General Risks Related to Catastrophic Events

Catastrophic events in general can have a material impact on the potential continuity of the Company's business. The continued spread of COVID-19 globally could adversely affect the Company's patient care and clinic operations, as healthcare providers may have heightened exposure to COVID-19 if an outbreak occurs in their geography. The Company's ability to provide health care services may be adversely affected or disrupted as a result of changing patient intake patterns and needs as well as reduced availability of physicians and/or support staff. Further, the COVID-19 outbreak could result in adverse effects on the Company's business and operations due to prioritization of clinic resources toward the outbreak or if quarantines and/or restrictions (such as travel restrictions) impede physician, staff or patient movement or interrupt healthcare services.

The Company relies on third-party service providers to assist them in managing, monitoring and otherwise carrying out aspects of its business and operations, and the outbreak may affect their ability to devote sufficient time and resources to the business. The third-party contract supplier organizations' ability to deliver required medical and other supplies, such as personal protective equipment, on a timely basis, may also be limited or affected materially. Such events may result in a period of business disruption, reduced operations, any of which could materially affect the Company's business, financial condition and results of operations. The Company's ability to serve patients remotely via telehealth services could be affected by technology vulnerabilities and/or glitches that could impede the ability for physicians and patients to access and/or utilize the software reliably.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect liquidity.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Company's business, operations and financial performance will depend on future developments, including but not limited to, matters such as (a) the duration and/or severity of the outbreak, (b) government policies, restrictions and requirements as it relates to social distancing, forced quarantines and other requirements, (c) nongovernmental influences or challenges such as the failure of banks and/or (d) any kind of ripple effect caused by the substantial economic damage that can be inflicted on society by a pandemic like COVID-19 such as lawlessness. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence. Societal functions are not expected to return to normal until a vaccine is widely available to the public. This is not expected to occur until sometime in 2021.

Subsequent events

On April 1, 2021, the Company entered into a set of agreements with Peguis, under which 10030712 Manitoba Ltd. (the "JV") would lease two locations (Selkirk and Winnipeg, Manitoba) with an initial term of 5 years and an option for two additional renewal terms of 5 years each. As part of the lease and sublease, Peguis, in the form of loans to the JV, incurred \$595,402 (the "Selkirk Loan") and \$448,361 (the "Winnipeg Loan") in leasehold improvement costs in these two locations, respectively. Under the lease and sublease, the leasehold improvement loans will be amortized over the initial term plus all renewal terms of the lease and sublease (estimated maturity date of October 1, 2035) and will be added to the monthly lease payment

of each location. Interest will accrue on the outstanding balance of the leasehold improvement loans at a rate of 6% per annum. The lease and sublease have been dated effective October 1, 2020. In addition, the JV would enter into a management agreement with Pathway under which Pathway would oversee its operations (the "Management Agreement") until such time as Peguis or Pathway give notice and/or become insolvent or windup their business.

TCNC had previously purchased specific assets from Natural Health Services ("NHS"), a subsidiary of its parent Cura-Can. TCNC had also purchased certain clinical operational assets from National Access Canada Corporation ("NACC") and Meta Growth Corporation (the "NHS and NACC Acquired Assets"). These assets were acquired by Pathway as part of the Asset Acquisition Transaction. The Company will contribute all of its right, title and interest in and to any part of the NHS and NACC Acquired Assets that solely related to the province of Manitoba and will provide a non-exclusive, royalty-free, fully paid up, non-transferable, non sub-licensable license to use the intellectual property in connection with the conduct of the operations of the clinics in Selkirk and Winnipeg, and to allocate revenues attributable to the current and former patients of NHS and NACC in those locations. In exchange for this contribution, Peguis agrees to make a capital contribution of \$250,000 per location (for a total of \$500,000) to 10030712 Manitoba Ltd. which will be offset against the Selkirk Loan and Winnipeg Loan. Subsequent to these contributions, the Company will continue to hold 51 shares, representing 51% of the issued and outstanding shares and 1002241 Manitoba Ltd. will continue to hold 49 shares, representing 49% of the issued and outstanding shares.

Schedule "G"
AUDITED FINANCIAL STATEMENTS OF COLSON FOR THE YEARS ENDED MARCH 31, 2020, 2019,
AND 2018

Colson Capital Corp.
(A Capital Pool Company)
Financial Statements

For the years ended March 31, 2020 and 2019
(expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Colson Capital Corp.:

Opinion

We have audited the financial statements of Colson Capital Corp. (the "Company"), which comprise the statements of financial position as at March 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta

July 27, 2020

Chartered Professional Accountants

Colson Capital Corp.
Statements of Financial Position
As at March 31,

	2020	2019
Assets		
Current		
Cash in trust (Note 4)	\$ 423,557	\$ 457,781
Total Assets	\$ 423,557	\$ 457,781
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 11,913	\$ 7,576
Total Liabilities	\$ 11,913	\$ 7,576
Shareholders' Equity		
Share capital (Note 5)	\$ 517,593	\$ 517,593
Contributed surplus	121,255	121,255
Deficit	(227,204)	(188,643)
Total Shareholders' Equity	411,644	450,205
Total Liabilities and Shareholders' Equity	\$ 423,557	\$ 457,781

Nature of operations (Note 1)

Approved on behalf of the Board of Directors:

"signed" Michael Doyle

Director

"signed" Murray Moore

Director

The accompanying notes are an integral part of these financial statements.

Colson Capital Corp.
Statements of Loss and Comprehensive Loss
For the year ended March 31,

	2020	2019
Expenses		
General and administrative	\$ 38,561	\$ 83,539
Net loss and comprehensive loss	\$ 38,561	\$ 83,539
 Net loss per share		
Basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares (Note 6)	6,000,000	6,000,000

The accompanying notes are an integral part of these financial statements.

Colson Capital Corp.
Statement of Changes in Shareholders' Equity

	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
Balance, March 31, 2018	517,593	121,255	(105,104)	533,744
Net loss for the year	-	-	(83,539)	(83,539)
Balance, March 31, 2019	517,593	121,255	(188,643)	450,205
Net loss and comprehensive loss	-	-	(38,561)	(38,561)
Balance, March 31, 2020	517,593	121,255	(227,204)	411,644

The accompanying notes are an integral part of these financial statements.

Colson Capital Corp.
Statements of Cash Flows
For the year ended March 31,

	2020	2019
Cash flows related to the following activities		
Operating activities		
Net loss for the year	\$ (38,561)	\$ (83,539)
Change in non-cash working capital	4,337	2
Cash flows used in operating activities	(34,224)	(83,537)
Change in cash	(34,224)	(83,537)
Cash, beginning of year	457,781	541,318
Cash, end of year	\$ 423,557	\$ 457,781

The accompanying notes are an integral part of these financial statements.

1. Incorporation and operations

Colson Capital Corp. (the "Company") was incorporated on September 4, 2014 by Certificate of incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules. The head office and registered office of the Company is located at 1900, 520 3rd Avenue SW Calgary, Alberta, T2P 0R3.

The Company issued 2,400,000 common shares for an amount of \$120,000 and on June 14, 2017 the Company's prospectus for an Initial Public Offering ("IPO") of the Company's common shares was receipted by the regulatory authorities. The IPO closed on September 7, 2017 with 6,000,000 common shares being issued at a price of \$0.10 per common share. The Company's shares commenced trading on September 11, 2017 under the symbol COLS.P.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks as well as the impact on the Company.

Qualifying transaction

During the year ended March 31, 2019, the Company entered into an arrangement agreement in respect of a proposed business combination (the "Transaction") with an unrelated party, Province Brands of Canada ("Province") and a financing through a brokered private placement. This transaction was terminated during the year ended March 31, 2020.

2. Basis of preparation

Statement of compliance

The financial statements for year ended March 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on April 1, 2019.

The financial statements were authorized for issue in accordance with a resolution of the directors on July 27, 2020.

Basis of measurement

These financial statements are stated in Canadian dollars, which is the Company's functional currency, and were prepared on a going concern basis, under the historical cost convention except for share based compensation.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 4.

3. Significant accounting policies

Cash

Cash consists of the proceeds generated from share issues, which is being held in trust by legal counsel for the Company.

Deferred financing costs

Financing costs related to proposed financings are recorded as deferred financing costs. These costs will be deferred until the related financing is completed, at which time the costs will be charged against the proceeds received. If the related financing does not close, the costs will be charged to operations.

Share-based payments

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Financial Instruments

Classification and measurement of financial instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Company does not employ hedge accounting for its risk management contracts currently in place.

The Company classifies its accounts payable and accrued liabilities as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income or loss. The Company has classified its cash at FVTPL.

3. Significant accounting policies *(continued from previous page)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

Recently issued accounting standards

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize all leases on the statement of Financial Position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that also applies IFRS 15 Revenue from Contracts with Customers. The Company has adopted this standard on April 1, 2019 and adoption did not have an impact on the financial statements as the Company has not entered into any lease agreements.

4. Significant accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

4. Significant accounting estimates and assumptions *(continued from previous page)*

Judgements

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

5. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

6. Share capital

Authorized

Unlimited number of voting Common Shares

Unlimited number of non-voting Preferred shares issuable in series

Issued Common Shares

	Number of Shares	\$
As at March 31, 2018, 2019 and 2020	8,400,000	517,593

Escrow

The Company has 2,400,000 Common Shares subject to an escrow agreement whereby 10% of the shares will be released from escrow upon the issuance of the Final Exchange Bulletin. An additional 15% of the escrowed Common Shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a Qualifying Transaction. These 2,400,000 shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of loss per share calculation.

6. Share capital (continued from previous page)

Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction (as defined in Exchange Policy 2.4), during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant. Concurrent with the closing of the IPO, the directors were granted options to acquire up to 840,000 Common shares under this plan which vested immediately. The fair value of the options granted to directors and officers of \$77,355 is included in share-based payment expense in the statement of loss and comprehensive loss.

Options	Number of options (#)	Weighted average exercise price (\$)
As at March 31, 2017	-	-
Issued to directors and officers	840,000	0.10
As at March 31, 2018, 2019 and 2020	840,000	0.10

The weighted average remaining contractual life of the options at March 31, 2020 is 2.44 years (2019 – 3.44)

Warrants	Number of warrants (#)	Weighted average exercise price (\$)
As at March 31, 2018 and 2019	600,000	0.10
Expired	(600,000)	0.10
As at March 31, 2020	-	-

The weighted average remaining contractual life of the warrants at March 31, 2020 is nil years (2019 – 0.44).

7. Taxes

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the loss before taxes. The reasons for the difference are as follows:

	2020	2019
Loss before taxes	\$ (38,561)	\$ (83,539)
Statutory tax rate	26.5%	27%
Expected tax recovery	(10,219)	(22,556)
Share issue costs	(10,930)	(10,930)
Tax asset not recognized	21,149	33,486
Tax recovery	\$ -	\$ -

The Canadian statutory tax rate per the rate reconciliation above represents the average combined federal and provincial corporate tax rate. The federal corporate tax rate is 15.0% and the average provincial tax rate in Alberta was 11.5% during 2020. On June 28, 2019, the Alberta government enacted legislation which reduced the Alberta corporate income tax rate from 12% to: 11% effective July 1, 2019; 10% effective January 1, 2020; 9% effective January 1, 2021; and 8% effective January 1, 2022 and thereafter.

The Company has gross timing differences for tax purposes at its respective year ends of March 31 as follows:

	2020	2019
Share issue costs	\$ 67,846	\$ 108,327
Loss carry-forwards	284,410	205,368
Total timing differences	\$ 352,256	\$ 313,695

The Company's loss carry forward balance is available to reduce future years' income taxes and, if not fully utilized, will begin to expire in fiscal 2037.

8. Related party transactions

Key management personnel consist of officers and directors of the Company. Other than stock options granted to directors in prior years, no compensation was paid to key management personnel during the current or prior years.

Transactions with related parties are incurred in the normal course of business.

9. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end.

10. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as its cash is held in a reputable Canadian law firm's trust account.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, the Company had a cash balance of \$423,567 (2018 - \$457,781) to settle liabilities of \$11,913 (2019 - \$7,576).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- i) Interest rate risk
The Company has cash balance and no interest-bearing debt.
- ii) Foreign currency risk
The Company does not have assets or liabilities in foreign currencies.
- iii) Commodity risk
The Company is not exposed to commodity risk.

Colson Capital Corp.
(A Capital Pool Company)
Financial Statements
For the year ended March 31, 2019 and 2018
(expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Colson Capital Corp.:

Opinion

We have audited the financial statements of Colson Capital Corp. (the "Company"), which comprise the statements of financial position as at March 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta
July 25, 2019

Chartered Professional Accountants

Colson Capital Corp.
Statements of Financial Position
As at March 31,

	2019		2018
Assets			
Current			
Cash (Note 5)	\$ 457,781	\$	541,318
Total Assets	\$ 457,781	\$	541,318
 Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 7,576	\$	7,574
Total Liabilities	\$ 7,576	\$	7,574
 Shareholders' Equity			
Share Capital (Note 6)	\$ 517,593	\$	517,593
Contributed surplus	121,255		121,255
Deficit	(188,643)		(105,104)
Total shareholder's equity	450,205		533,744
Total Liabilities and Shareholders' Equity	\$ 457,781	\$	541,318

Incorporation of operations (Note 1)
Qualifying Transaction (Note 1)

Approved on behalf of the Board:

"signed" Michael Doyle

Director

"signed" Murray Moore

Director

The accompanying notes are an integral part of these financial statements.

Colson Capital Corp.
Statements of Loss and Comprehensive Loss
For the years ended March 31,

	2019	2018
Expenses		
General and administrative	\$ 83,539	\$ 27,749
Share based compensation <i>(Note 6)</i>	-	77,355
Net loss and comprehensive loss	\$ 83,539	\$ 105,104
 Net loss per share		
Basic and diluted	\$ (0.01)	\$ (0.03)
Weighted average number of shares <i>(Note 6)</i>	6,000,000	3,369,863

The accompanying notes are an integral part of these financial statements.

Colson Capital Corp.
Statement of Changes in Shareholders' Equity

	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
Balance, March 31, 2017	120,000	-	-	120,000
Share issuance <i>(Note 6)</i>	441,493	-	-	441,493
Agent warrants <i>(Note 6)</i>	(43,900)	43,900	-	-
Share based compensation <i>(Note 6)</i>		77,355	-	77,355
Net loss and comprehensive loss	-	-	(105,104)	(105,104)
Balance, March 31, 2018	517,593	121,255	(105,104)	533,744
Net loss and comprehensive loss	-	-	(83,539)	(81,963)
Balance, March 31, 2019	517,593	121,255	(188,643)	450,205

The accompanying notes are an integral part of these financial statements.

Colson Capital Corp.
Statements of Cash Flows
For the years ended March 31,

	2019	2018
Cash flows related to the following activities		
Operating activities		
Net loss and comprehensive loss for the year	\$ (83,539)	\$ (105,104)
Share based compensation	-	77,355
Change in non-cash working capital	2	50,181
Cash flows used in operating activities	(83,537)	(22,432)
Financing activities		
Issuance of common shares, net of issue costs	-	441,493
Cash flows from financing activities	-	441,493
Change in cash	(83,537)	463,925
Cash, beginning of year	541,318	77,393
Cash, end of year	\$ 457,781	\$ 541,318

The accompanying notes are an integral part of these financial statements.

1. Incorporation and operations

Colson Capital Corp. (the "Company") was incorporated on September 4, 2014 by Certificate of incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules. The head office and registered office of the Company is located at 1900, 520 3rd Avenue SW Calgary, Alberta, T2P 0R3.

The Company issued 2,400,000 common shares for an amount of \$120,000 and on June 14, 2017 the Company's prospectus for an Initial Public Offering ("IPO") of the Company's common shares was receipted by the regulatory authorities. The IPO closed on September 7, 2017 with 6,000,000 common shares being issued at a price of \$0.10 per common share. The Company's shares commenced trading on September 11, 2017 under the symbol COLS.P.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

Qualifying transaction

During the year ended March 31, 2019, the Company entered into an arrangement agreement in respect of a proposed business combination (the "Transaction") with an unrelated party, Province Brands of Canada ("Province") and a financing through a brokered private placement.

Pursuant to the Transaction, the Company and Province will complete a plan of arrangement, amalgamation, three-corned amalgamation or alternative structure yet to be determined. The common shares of the Company are to be consolidated on a basis of 11.5:1.

As part of the Transaction, it is anticipated that Province will:

- complete a private placement of subscription receipts for gross proceeds of up to \$30,000,000; and
- convert each issued and outstanding preferred share and convertible note into common shares of Province.

To affect the Transaction, each shareholder of Province will receive one common share of the Company' for each Province common share held. The issuance of the Company's common shares to the shareholders of Province will result in a reverse takeover of the Company by Province.

The Transaction is subject to shareholder, TSX Venture and other regulatory approvals.

2. Basis of preparation

Statement of compliance

The financial statements for year ended March 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on April 1, 2018.

The financial statements were authorized for issue in accordance with a resolution of the directors on July 25, 2019.

Basis of measurement

These financial statements are stated in Canadian dollars, which is the Company's functional currency, and were prepared on a going concern basis, under the historical cost convention except for share based compensation.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 4.

3. Significant accounting policies

Cash

Cash consists of the proceeds generated from share issues, which is being held in trust by legal counsel for the Company.

Deferred financing costs

Financing costs related to the Company's proposed financing are recorded as deferred financing costs. These costs will be deferred until the related financing is completed, at which time the costs will be charged against the proceeds received. If the related financing does not close, the costs will be charged to operations.

Share-based payments

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Financial Instruments

Classification and measurement of financial instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Company does not employ hedge accounting for its risk management contracts currently in place.

3. Significant accounting policies (continued from previous page)

Amortized cost

The Company classifies its cash and accounts payable and accruals measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

Newly adopted standards

The Company has adopted IFRS 9, Financial instruments effective April 1, 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The details of IFRS 9 and the nature and effect of changes to previous accounting policies are discussed below.

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification categories are as follows:

- A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Statement of Loss and Comprehensive Loss.

3. Significant accounting policies *(continued from previous page)*

Newly adopted standards *(continued)*

- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the Statement of Loss and Comprehensive Loss.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Cash that was classified as fair value through profit and loss under IAS 39 are now classified as financial assets at amortized cost. Accounts payable and accrued liabilities which was previously classified as other financial liabilities under IAS 39 are now classified as financial liabilities at amortized cost under IFRS 9. No change in measurement related to these items was recorded on the transition to IFRS 9 on the prior year comparative information as there was no material impact.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model for calculating impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Company applied the simplified approach to providing for expected credit losses prescribed by IFRS 9. No change in measurement related to these items was recorded on the prior year comparative information as there was no material impact.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

There were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9.

Accounting standards issued but not yet applied

The Company has reviewed amendments to accounting pronouncements that have been issued but are not yet effective, and determined that the following may have a future impact on the Company.

IFRS 16 Leases issued on January 13, 2016 by the IASB replaces IAS 17 Leases. The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the initial adoption date of January 1, 2018.

The Company is currently assessing and quantifying the effect of the impact of adoption of this standard and does not expect this standard will have a material impact on its financial status.

4. Significant accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

4. Significant accounting estimates and assumptions *(continued from previous page)*

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Judgements

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

5. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

6. Share capital

Authorized

Unlimited number of voting Common Shares

Unlimited number of non-voting Preferred shares issuable in series

Issued Common Shares

	Number of Shares	\$
At incorporation	1	-
Issued for cash at \$0.05 per share	2,399,999	120,000
As at March 31, 2017	2,400,000	120,000
Issued for cash pursuant to the prospectus, net of financing costs	6,000,000	397,593
As at March 31, 2018 and 2019	8,400,000	517,593

6. Share capital (continued from previous page)

Pursuant to a prospectus dated June 12, 2017 with the securities regulatory authorities in the provinces of Alberta, British Columbia, Saskatchewan and Ontario, and pursuant to an Agency Agreement (the "Agency Agreement") entered into between the Company and Industrial Alliance Securities Inc. (the "Agent"), the Company issued 6,000,000 Common Shares at \$0.10 per share to the public for total gross proceeds of \$600,000. The Agent was granted 600,000 non-transferable warrants at a price of \$0.10 per share, expiring 24 months from the closing date of September 7, 2017. The fair value of the warrants as determined by the Black-Scholes option pricing model was \$43,900. Concurrent with the closing, the Company granted the directors options to acquire 840,000 common shares under the Company's share option plan at a price of \$0.10 per share with an expiry date of September 7, 2022.

Costs incurred on the issuance of shares totaled \$202,407.

Escrow

The Company has 2,400,000 Common Shares subject to an escrow agreement whereby 10% of the shares will be released from escrow upon the issuance of the Final Exchange Bulletin. An additional 15% of the escrowed Common Shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a Qualifying Transaction. These 2,400,000 shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of loss per share calculation.

Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction (as defined in Exchange Policy 2.4), during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant. Concurrent with the closing of the IPO, the directors were granted options to acquire up to 840,000 Common shares under this plan which vested immediately. The fair value of the options granted to directors and officers of \$77,355 is included in share-based payment expense in the statement of loss and comprehensive loss.

	Number of options (#)	Weighted average exercise price (\$)
Options		
As at March 31, 2017	-	-
Issued to directors and officers	840,000	0.10
As at March 31, 2018 and 2019	840,000	0.10

	Number of warrants (#)	Weighted average exercise price (\$)
Warrants		
As at March 31, 2017	-	-
Issued to agents	600,000	0.10
As at March 31, 2018 and 2019	600,000	0.10

6. Share capital (continued from previous page)

The Black-Scholes option pricing model was used to estimate the fair value of options and warrants on the date of grant using the following assumptions:

	Expiry (year)	Risk-free interest rate (%)	Expected life (years)	Expected dividend yield (%)	Expected volatility (%)	Forfeiture Rate (%)
Options	2022	2.00	5.0	0.0	155	0.0
Agent warrants	2019	1.77	2.0	0.0	155	0.0

7. Taxes

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the loss before taxes. The reasons for the difference are as follows:

	2019	2018
Loss before taxes	\$ (83,539)	\$ (105,104)
Statutory tax rate	27%	27%
Expected tax recovery	(22,556)	(28,378)
Share-based compensation	-	20,886
Share issue costs	(10,930)	(10,930)
Tax asset not recognized	33,486	18,422
Tax recovery	\$ -	\$ -

The Company has gross timing differences for tax purposes at its respective year ends of March 31 as follows:

	2019	2018
Share issue costs	\$ 108,327	\$ 148,808
Loss carry-forwards	205,368	81,348
Total timing differences	\$ 313,695	\$ 230,156

The Company's loss carry forward balance is available to reduce future years' income taxes and, if not fully utilized, will expire between the years 2037 and 2039.

8. Related part transactions

Key management personnel consist of officers and directors of the Company. Other than stock options granted to directors, no compensation was paid to key management personnel during the current or prior years

Transactions with related parties are incurred in the normal course of business.

9. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end.

10. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had a cash balance of \$457,781 to settle liabilities of \$7,576.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

The Company has cash balance and no interest-bearing debt.

ii) Foreign currency risk

The Company does not have assets or liabilities in foreign currencies.

iii) Commodity risk

The Company is not exposed to commodity risk.

Schedule “H”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF COLSON FOR THE YEARS ENDED MARCH 31,
2020 AND 2019

Colson Capital Corp.
(A Capital Pool Company)
Management Discussion and Analysis
For the Year Ended March 31, 2020

FORM 51-102F1

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Company's financial statements and notes thereto for the year ended March 31, 2020. Additional information relating to the Company is available on SEDAR at www.sedar.com.

This MD&A was prepared by management of Colson Capital Corp. ("the Company"), and was approved by the Board of Directors on July 27, 2020. All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

Description of the Business

The Company was incorporated on September 4, 2014 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") corporate finance manual. The Company has no assets other than cash. The Company proposes to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition or participation subject to regulatory and, if required, shareholders' approval.

The Company's registered head office is located at 1900, 520 3rd Avenue S.W., Calgary, AB, T2P 0R3.

The Company initially issued 2,400,000 common shares for an amount of \$120,000 and on June 14, 2017 the prospectus for an Initial Public Offering ("IPO") of the Company's common shares was receipted by the regulatory authorities. The IPO closed on September 7, 2017 and a total of 6,000,000 common shares were issued at a price of \$0.10 per common share. The Company's shares commenced trading on September 11, 2017 under the symbol COLS.P.

During the year ended March 31, 2019, the Company entered into an arrangement agreement with respect to a proposed business combination (the "Transaction") with an unrelated party, Provincial Brands of Canada ("Province") and a financing through a brokered private placement. This transaction was terminated during the year ended March 31, 2020.

Selected Financial Information

The Company was incorporated under the provisions of the Business Corporations Act (Alberta) on September 4, 2014 and March 31 is the date of its fiscal year end.

The following selected financial data is derived from the financial statements of the Company prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including IAS 34.

Selected Statement of Financial Position Data

	As at March 31, 2020	As at March 31, 2019
Net working capital	\$ 411,644	\$ 450,205
Total current assets	\$ 423,557	\$ 457,781
Total current liabilities	\$ 11,913	\$ 7,576
Total shareholders' equity	\$ 411,644	\$ 450,205

Selected Statement of Operations Data

	For the Year ended March 31,	
	2020	2019
Expenses	\$ 38,561	\$ 83,539
Net loss for the period	\$ 38,561	\$ 83,539
Basic loss per share	\$ (0.01)	\$ (0.01)

The Company does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

Liquidity, Capital Resources, and Outlook

As at March 31, 2020, the Company had working capital of \$411,644 and cash of \$423,557 Management believes that it has sufficient further resources to be able to identify, evaluate and complete a Qualifying Transaction.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at March 31, 2020

Critical Accounting Estimates and Policies

The Company's significant accounting policies and the adoption of new accounting policies are disclosed in the audited financial statements for the year ended March 31, 2020

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

Disclosure of Outstanding Share Data

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	8,400,000 Common Shares*
Securities convertible or exercisable into voting or equity securities – stock options and warrants	Directors' and officers' stock options to acquire up to 10% of the issued and outstanding common shares	Directors' and officers' stock options to acquire up to 840,000 common shares at an exercise price of \$0.10 per common share
Voting or equity securities issuable on conversion or exchange of outstanding securities	as above	as above

*2,400,000 shares are held in escrow

Risks and Uncertainties

The Company has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. There can be no assurance that the Company will be able to obtain adequate financing to continue. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

- a) until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- b) the Company has had no business activity and has not acquired any material assets since its incorporation other than cash;

- c) the Company does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction;
- d) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction;
- e) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction;
- f) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Company and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Company;
- g) there can be no assurance that an active and liquid market for the common shares will develop and an investor may find it difficult to resell its common shares;
- h) if the Company fails to complete a Qualifying Transaction within 24 months of listing, the TSX Venture Exchange could suspend or delist the common shares of the Company and an interim cease trade order may be issued against the Company's securities by an applicable securities commission if its common shares are suspended from trading on or delisted from the TSX Venture Exchange or otherwise; and
- i) the Company competes with many Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial and technical resources than the Company.

Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties. There were no related party transactions to be reported in the year ending March 31, 2020.

Other Information

The policies of the TSX Venture Exchange prohibit Capital Pool Companies from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the Directors of the Company. Additional information about the Company is available on SEDAR at www.sedar.com.

Colson Capital Corp.
(A Capital Pool Company)
Management Discussion and Analysis
For the Year Ended March 31, 2019

FORM 51-102F1

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Company's financial statements and notes thereto for the year ended March 31, 2019. Additional information relating to the Company is available on SEDAR at www.sedar.com.

This MD&A was prepared by management of Colson Capital Corp. ("the Company"), and was approved by the Board of Directors on July 25, 2019. All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

Description of the Business

The Company was incorporated on September 4, 2014 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") corporate finance manual. The Company has no assets other than cash. The Company proposes to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition or participation subject to regulatory and, if required, shareholders' approval.

The Company's registered head office is located at 1900, 520 3rd Avenue S.W., Calgary, AB, T2P 0R3.

The Company initially issued 2,400,000 common shares for an amount of \$120,000 and on June 14, 2017 the prospectus for an Initial Public Offering ("IPO") of the Company's common shares was receipted by the regulatory authorities. The IPO closed on September 7, 2017 and a total of 6,000,000 common shares were issued at a price of \$0.10 per common share. The Company's shares commenced trading on September 11, 2017 under the symbol COLS.P.

During the year ended March 31, 2019, the Company entered into an arrangement agreement with respect to a proposed business combination (the "Transaction") with an unrelated party, Provincial Brands of Canada ("Province") and a financing through a brokered private placement.

Pursuant to the Transaction, the Company and Province will complete a plan of arrangement, amalgamation, three-cornered amalgamation or alternative structure to be determined. The common shares of the Company are to be consolidated on a basis of 11.5 to 1.

As part of the Transaction, it is anticipated that Province will complete a private placement of its common shares for gross proceeds of up to \$30,000,000 and convert each issued and outstanding preferred share and convertible note into common shares of Province.

To affect the Transaction, each shareholder of Province will receive one common share of the Company for each Province common share held. The issuance of the Company's common shares to the shareholders of Province will result in a reverse takeover of the Company by Province.

The Transaction is subject to TSX Venture and other regulatory approvals.

Selected Financial Information

The Company was incorporated under the provisions of the Business Corporations Act (Alberta) on September 4, 2014 and March 31 is the date of its fiscal year end.

The following selected financial data is derived from the financial statements of the Company prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including IAS 34.

Selected Statement of Financial Position Data

	As at March 31, 2019	As at March 31, 2018
Net working capital	\$ 450,205	\$ 533,744
Total current assets	\$ 457,781	\$ 541,318
Total current liabilities	\$ 7,576	\$ 7,574
Total shareholders' equity	\$ 450,205	\$ 533,744

Selected Statement of Operations Data

	For the Year ended March 31, 2019	2018
Expenses	\$ 83,539	\$ 105,104
Net loss for the period	\$ 83,539	\$ 105,104
Basic loss per share	\$ (0.01)	\$ (0.03)

The Company does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

Liquidity, Capital Resources, and Outlook

As at March 31, 2019, the Company had working capital of \$450,205 and cash of \$457,781 Management believes that it has sufficient further resources to be able to identify, evaluate and complete a Qualifying Transaction.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at March 31, 2019.

Critical Accounting Estimates and Policies

The Company's significant accounting policies and the adoption of new accounting policies are disclosed in the audited financial statements for the year ended March 31, 2019.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

Disclosure of Outstanding Share Data

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	8,400,000 Common Shares*
Securities convertible or exercisable into voting or equity securities – stock options and warrants	Directors' and officers' stock options to acquire up to 10% of the issued and outstanding common shares Agent's warrants to acquire up to 10% of the common shares issued in connection with the initial public offering	Directors' and officers' stock options to acquire up to 840,000 common shares at an exercise price of \$0.10 per common share Agent's warrants to acquire up to 600,000 common shares at an exercise price of \$0.10 per common share
Voting or equity securities issuable on conversion or exchange of outstanding securities	as above	as above

*2,400,000 shares are held in escrow

Risks and Uncertainties

The Company has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. There

can be no assurance that the Company will be able to obtain adequate financing to continue. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

- a) until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- b) the Company has had no business activity and has not acquired any material assets since its incorporation other than cash;
- c) the Company does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction;
- d) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction;
- e) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction;
- f) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Company and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Company;
- g) there can be no assurance that an active and liquid market for the common shares will develop and an investor may find it difficult to resell its common shares;
- h) if the Company fails to complete a Qualifying Transaction within 24 months of listing, the TSX Venture Exchange could suspend or delist the common shares of the Company and an interim cease trade order may be issued against the Company's securities by an applicable securities commission if its common shares are suspended from trading on or delisted from the TSX Venture Exchange or otherwise; and
- i) the Company competes with many Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial and technical resources than the Company.

Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties. There were no related party transactions to be reported in the year ending March 31, 2019.

Other Information

The policies of the TSX Venture Exchange prohibit Capital Pool Companies from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the Directors of the Company. Additional information about the Company is available on SEDAR at www.sedar.com.

Schedule “I”
UNAUDITED INTERIM FINANCIAL STATEMENTS OF COLSON FOR THE PERIOD ENDED
DECEMBER 31, 2020

Colson Capital Corp.
(A Capital Pool Company)
Condensed Interim Financial Statements
For the three and nine months ended December 31, 2020 and 2019
(expressed in Canadian dollars)
(Unaudited)

Colson Capital Corp.
Condensed Interim Statements of Financial Position
As at:

	December 31, 2020 (Unaudited)		March 31, 2020 (Audited)
Assets			
Current			
Cash in trust (Note 4)	\$ 372,407	\$	423,557
Total Assets	\$ 372,407	\$	423,557
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 8,940	\$	11,913
Total Liabilities	\$ 8,940	\$	11,913
Shareholders' Equity			
Share Capital (Note 5)	\$ 517,593	\$	517,593
Contributed surplus	121,255		121,255
Deficit	(275,381)		(227,204)
Total shareholders' equity	363,467		411,644
Total Liabilities and Shareholders' Equity	\$ 372,407	\$	423,557

Incorporation of operations (Note 1)

Qualifying Transaction (Note 9)

Approved on behalf of the Board of Directors:

"signed" Michael Doyle

Director

"signed" Murray Moore

Director

The accompanying notes are an integral part of these condensed interim financial statements.

Colson Capital Corp.
Condensed Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended December 31,

	For the three months ended December 31, 2020	For the three months ended December 31, 2019	For the nine months ended December 31, 2020	For the nine months ended December 31, 2019
Expenses				
General and administrative	\$ 29,619	\$ 4,374	\$ 48,177	\$ 20,663
Net loss and comprehensive loss	\$ 29,619	\$ 4,374	\$ 48,177	\$ 20,663
 Net loss per share				
Basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares (Note 5)	6,000,000	6,000,000	6,000,000	6,000,000

The accompanying notes are an integral part of these condensed interim financial statements.

Colson Capital Corp.
Condensed Interim Statement of Changes in Shareholders' Equity

	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
Balance, March 31, 2019	517,593	121,255	(188,643)	450,205
Net loss and comprehensive loss for the period	-	-	(20,663)	(20,663)
Balance, December 31, 2019	517,593	121,255	(209,306)	433,345
Balance, March 31, 2020	517,593	121,255	(227,204)	411,644
Net loss and comprehensive loss for the period			(48,177)	(48,177)
Balance, December 31, 2020	517,593	121,255	(275,381)	363,467

The accompanying notes are an integral part of these condensed interim financial statements.

Colson Capital Corp.
Condensed Interim Statements of Cash Flows
For the nine months ended December 31,

	2020	2019
Cash flows related to the following activities		
Operating activities		
Net loss and comprehensive loss for the period	\$ (48,177)	\$ (20,663)
Change in non-cash working capital	(2,973)	(6,526)
Cash flows used in operating activities	(51,150)	(27,189)
Change in cash	(51,150)	(27,189)
Cash, beginning of period	423,557	457,781
Cash, end of period	\$ 372,407	\$ 430,592

The accompanying notes are an integral part of these condensed interim financial statements.

1. Incorporation and operations

Colson Capital Corp. (the "Company") was incorporated on September 4, 2014 by Certificate of incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules. The head office and registered office of the Company is located at 1900, 520 3rd Avenue SW Calgary, Alberta, T2P 0R3.

The Company, as a CPC, was required to complete a Qualifying Transaction (as such term is defined in the policies of the Exchange) by September 7, 2019. The Company was not successful in completing a Qualifying Transaction by September 7, 2019. As a result, the Company moved its listing to the NEX board of the Exchange ("NEX").

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

The condensed interim financial statements of the Company as at and for the nine months ended December 31, 2020 were authorized for issue in accordance with a resolution of the directors on February 26, 2021.

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

The current challenging economic climate relating to the effect of the Coronavirus (COVID-19) may lead to challenges in managing cash flows and the ability to raise capital.

2. Basis of preparation

Statement of compliance

The condensed interim financial statements for the nine months ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), including IAS 34 Interim Financial Reporting. These condensed unaudited interim financial statements have been prepared following the same accounting principles and application methods as disclosed in the Company's annual audited financial statements for the year ended March 31, 2020. These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's March 31, 2020 annual financial statements.

Basis of measurement

These financial statements are stated in Canadian dollars, which is the Company's functional currency, and were prepared on a going concern basis, under the historical cost convention.

3. Significant accounting policies

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the financial statements for the year ended March 31, 2020 and should be read in conjunction with those annual financial statements and the notes thereto.

4. Cash in trust

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

5. Share capital

Authorized

Unlimited number of voting Common Shares
 Unlimited number of non-voting Preferred shares issuable in series

Issued Common Shares

	Number of Shares	\$
As at March 31, 2019 and 2020 and December 31, 2019 and 2020	8,400,000	517,593

Escrow

The Company has 2,400,000 Common Shares subject to an escrow agreement whereby 10% of the shares will be released from escrow upon the issuance of the Final Exchange Bulletin. An additional 15% of the escrowed Common Shares will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a Qualifying Transaction. These 2,400,000 shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of loss per share calculation.

Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction (as defined in Exchange Policy 2.4), during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

Options	Number of options (#)	Weighted average exercise price (\$)
As at March 31, 2017	-	-
Issued to directors and officers	840,000	0.10
As at March 31, 2019 and 2020 and at December 31, 2019 and 2020	840,000	0.10

The weighted average remaining contraction life of the options at December 31, 2020 is 1.69 (March 31, 2020 - 2.44)

6. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end.

7. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash and accounts payable and accruals approximates their fair value due to the short-term maturities of these items.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$372,407 to settle liabilities of \$8,940.

7. Financial instruments (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

The Company has cash balance and no interest-bearing debt

ii) Foreign currency risk

The Company does not have assets or liabilities in foreign currencies.

iii) Commodity risk

The Company is not exposed to commodity risk

8. Related party transactions

Key management personnel consist of officers and directors of the Company. Other than stock options granted to directors in prior years, no compensation was paid to key management personnel during the current or prior years

Transactions with related parties are incurred in the normal course of business.

9. Qualifying transaction

During the nine month period ending December 31, 2020, the Company entered into a letter of intent dated September 12, 2020 in respect of a proposed business combination (the "Transaction") with an unrelated party, Cura-Can Health Corp. ("Cura-Can") (the parent company of TCNC, as defined below). On January 29, 2021, the Company and Pathway Health Corp. ("Pathway"), a wholly-owned subsidiary of The Clinic Network Canada Inc. ("TCNC") entered into a definitive share exchange agreement respecting the Transaction.

Pursuant to the Transaction, the Company shall purchase all of the issued and outstanding shares of Pathway in exchange for the issuance of shares of the Company on a post-consolidated basis, resulting in the reverse takeover of the Company by Pathway. To effect the Transaction, each shareholder of Pathway will receive one common share of the Company for each Pathway share outstanding. Prior to effecting the Transaction, the common shares of the Company are to be consolidated on a basis of 2.941:1, resulting in an aggregate of approximately 2,856,171 common shares of the Company issued and outstanding.

As part of the Transaction, Pathway must complete a private placement of subscription receipts ("Subscription Receipts") at a price of \$0.50 per Subscription Receipt for gross proceeds of a minimum of \$10,000,000 with an over-allotment option of an additional \$1,500,000. Each Subscription Receipt is convertible into units containing one common share of Pathway and one-half of one common share purchase warrant, each whole warrant being exercisable to acquire one Pathway share at an exercise price of \$0.75 per Pathway common share for a period of 24 months from the closing of the Transaction. The issuance of the Company's common shares and warrants to the securityholders of Pathway will result in a reverse takeover of the Company by Pathway.

The Transaction is expected to constitute the Company's Qualifying Transaction, as such term is defined in Policy 2.4 of the TSX Venture Exchange. The Transaction is subject to shareholder, TSX Venture Exchange and other regulatory approvals.

Schedule “J”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF COLSON FOR THE PERIOD ENDED
DECEMBER 31, 2020

Colson Capital Corp.
(A Capital Pool Company)
Management Discussion and Analysis
Nine Months Ended December 31, 2020

FORM 51-102F1

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Company's financial statements and notes thereto for the nine months ended December 31, 2020. Additional information relating to the Company is available on SEDAR at www.sedar.com.

This MD&A was prepared by management of Colson Capital Corp. ("the Company"), and was approved by the Board of Directors on February 26, 2021. All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

Description of the Business

The Company was incorporated on September 4, 2014 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") corporate finance manual. The Company has no assets other than cash. The Company proposes to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition or participation subject to regulatory and, if required, shareholders' approval.

The Company's registered head office is located at 1900, 520 3rd Avenue S.W., Calgary, AB, T2P 0R3.

The Company initially issued 2,400,000 common shares for an amount of \$120,000 and on June 14, 2017 the prospectus for an Initial Public Offering ("IPO") of the Company's common shares was receipted by the regulatory authorities. The IPO closed on September 7, 2017 and a total of 6,000,000 common shares were issued at a price of \$0.10 per common share. The Company's share commenced trading on September 11, 2017 under the symbol COLS.P.

The Company, as a CPC, was required to complete a Qualifying Transaction (as such term is defined in the policies of the TSXV) by September 7, 2019. The Company was not successful in completing a Qualifying Transaction by September 7, 2019. As a result, the Company moved its listing to the NEX board of the Exchange ("NEX")

Qualifying transaction

During the nine month period ending December 31, 2020, the Company entered into a letter of intent dated September 12, 2020 in respect of a proposed business combination (the “Transaction”) with an unrelated party, Cura-Can Health Corp. (“Cura-Can”) (the parent company of TCNC, as defined below). On January 29, 2021, the Company and Pathway Health Corp. (“Pathway”), a wholly-owned subsidiary of The Clinic Network Canada Inc. (“TCNC”) entered into a definitive share exchange agreement respecting the Transaction.

Pursuant to the Transaction, the Company shall purchase all of the issued and outstanding shares of Pathway in exchange for the issuance of shares of the Company on a post-consolidated basis, resulting in the reverse takeover of the Company by Pathway. To effect the Transaction, each shareholder of Pathway will receive one common share of the Company for each Pathway share outstanding. Prior to effecting the Transaction, the common shares of the Company are to be consolidated on a basis of 2.941:1, resulting in an aggregate of approximately 2,856,171 common shares of the Company issued and outstanding.

As part of the Transaction, Pathway must complete a private placement of subscription receipts (“Subscription Receipts”) at a price of \$0.50 per Subscription Receipt for gross proceeds of a minimum of \$10,000,000 with an over-allotment option of an additional \$1,500,000. Each Subscription Receipt is convertible into units containing one common share of Pathway and one-half of one common share purchase warrant, each whole warrant being exercisable to acquire one Pathway share at an exercise price of \$0.75 per Pathway common share for a period of 24 months from the closing of the Transaction. The issuance of the Company’s common shares and warrants to the security holders of Pathway will result in a reverse takeover of the Company by Pathway.

The Transaction is expected to constitute the Company’s Qualifying Transaction, as such term is defined in Policy 2.4 of the TSX Venture Exchange. The Transaction is subject to shareholder, TSX Venture Exchange and other regulatory approvals.

Selected Financial Information

The Company was incorporated under the provisions of the Business Corporations Act (Alberta) on September 4, 2014 and March 31 is the date of its fiscal year end.

The following selected financial data is derived from the financial statements of the Company prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including IAS 34.

Colson Capital Corp.
Management Discussion and Analysis
Nine Months Ended December 31, 2020

Selected Statement of Financial Position Data

	As at December 31, 2020	As at March 31, 2020
Net working capital	\$ 363,467	\$ 411,644
Total current assets	\$ 372,407	\$ 423,557
Total current liabilities	\$ 8,940	\$ 11,913
Total shareholders' equity	\$ 363,467	\$ 411,644

Selected Statement of Operations Data

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Expenses	\$ 26,619	\$ 4,374	\$ 48,177	\$ 20,663
Net loss for the period	\$ 26,619	\$ 4,374	\$ 48,177	\$ 20,663
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

The Company does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

Liquidity, Capital Resources, and Outlook

As at December 31, 2020, the Company had working capital of \$363,467 and cash of \$372,407. Management believes that it has sufficient resources to be able to identify, evaluate and complete a Qualifying Transaction.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2020.

Critical Accounting Estimates and Policies

The Company's significant accounting policies and the adoption of new accounting policies are disclosed in the audited financial statements for the year ended March 31, 2020.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

Disclosure of Outstanding Share Data

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	8,400,000 Common Shares*
Securities convertible or exercisable into voting or equity securities – stock options	Directors' and officers' stock options to acquire up to 10% of the issued and outstanding common shares Agent's options to acquire up to 10% of the common shares issued in connection with the initial public offering	Directors' and officers' stock options to acquire up to 840,000 common shares at an exercise price of \$0.10 per common share Agent's options to acquire up to 600,000 common shares at an exercise price of \$0.10 per common share
Voting or equity securities issuable on conversion or exchange of outstanding securities	as above	as above

* 2,400,000 shares are held in escrow

Risks and Uncertainties

The Company has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. There can be no assurance that the Company will be able to obtain adequate financing to continue. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

- a) until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- b) the Company has had no business activity and has not acquired any material assets since its incorporation other than cash;
- c) the Company does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction;
- d) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction;

- e) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction;
- f) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Company and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Company;
- g) there can be no assurance that an active and liquid market for the common shares will develop and an investor may find it difficult to resell its common shares;
- h) if the Company fails to complete a Qualifying Transaction within 24 months of listing, the TSX Venture Exchange could suspend or delist the common shares of the Company and an interim cease trade order may be issued against the Company's securities by an applicable securities commission if its common shares are suspended from trading on or delisted from the TSX Venture Exchange or otherwise; and
- i) the Company competes with many Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial and technical resources than the Company.

Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties. There were no related party transactions in the period ending December 31, 2020.

Other Information

The policies of the TSX Venture Exchange prohibit Capital Pool Companies from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the Directors of the Company. Additional information about the Company is available on SEDAR at www.sedar.com.

Schedule “K”
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESULTING
ISSUER

Pathway Health Corp.

Unaudited Pro-forma Condensed Consolidated Financial Statements

As at December 31, 2020

(Expressed in Canadian Dollars)

Pathway Health Corp.
Pro-forma Consolidated Statement of Financial Position
As at December 31, 2020
Unaudited

	Colson Capital Corp. December 31, 2020	The Clinic Network Canada December 31, 2020	Pathway Health Corp. December 31, 2020	Total Pro- forma Adjustments	Note 3	Pro-forma consolidated
Assets						
Current						
Cash	\$ 372,407	\$ 361,854	\$ 588	\$ 8,527,585 b, g		\$ 9,262,434
Accounts and other receivables	-	1,074,518	34,771	-		1,109,289
Convertible debenture receivable	-	235,000	-	(235,000) b		-
Inventory	-	305,628	-	-		305,628
Prepays	-	94,356	-	-		94,356
	<u>372,407</u>	<u>2,071,356</u>	<u>35,359</u>	<u>8,292,585</u>		<u>10,771,707</u>
Due from related parties	-	67,096	-	(67,096) c		-
Property and equipment	-	3,550,788	-	(112,799) c		3,437,989
Intangible assets	-	1,445,800	-	-		1,445,800
Goodwill	-	563,129	-	-		563,129
	<u>-</u>	<u>5,626,813</u>	<u>-</u>	<u>(179,895)</u>		<u>5,446,918</u>
Total assets	<u>\$ 372,407</u>	<u>\$ 7,698,169</u>	<u>\$ 35,359</u>	<u>\$ 8,112,690</u>		<u>\$ 16,218,625</u>
Liabilities and Shareholder's deficiency						
Current						
Accounts payable and accrued liabilities	8,940	2,011,801	379,568	(771,073) c		1,629,236
Deferred revenue	-	102,882	-	-		102,882
Senior secured notes	-	664,973	-	(664,973) c		-
Current portion of lease liability	-	742,073	-	(169,590) c		572,483
Convertible debt	-	3,662,305	-	(3,662,305) a, b, d, e, f		-
Due to related parties	-	5,681,071	30,296	(5,557,885) c, g		153,482
Credit facility with related party	-	10,559,047	-	(10,559,047) c		-
	<u>8,940</u>	<u>23,424,152</u>	<u>409,864</u>	<u>(21,384,873)</u>		<u>2,458,083</u>
Long-term portion of lease liability	-	2,669,191	-	(56,986) c		2,612,205
Loan payable	-	-	-	-		-
Government loan payable	-	64,212	-	(21,404) c		42,808
Convertible debt	-	-	-	-		-
Deferred tax liability	-	-	-	-		-
	<u>-</u>	<u>2,733,403</u>	<u>-</u>	<u>(78,390)</u>		<u>2,655,013</u>
Total liabilities	<u>\$ 8,940</u>	<u>\$ 26,157,555</u>	<u>\$ 409,864</u>	<u>\$ (21,463,263)</u>		<u>\$ 5,113,096</u>
Shareholder's deficiency						
Share capital	517,593	675,000	1	41,067,719 a, b, c, d, e, f, g, h		42,260,313
Contributed surplus	121,255	787,569	-	(29,883,963) c, g, h, i		(28,975,139)
Deficit	(275,381)	(20,047,871)	(374,506)	18,518,113 b, c, h, i		(2,179,645)
Non-controlling interest	-	125,916	-	(125,916) c		-
	<u>363,467</u>	<u>(18,459,386)</u>	<u>(374,505)</u>	<u>29,575,953</u>		<u>11,105,529</u>
Total liabilities and shareholder's deficiency	<u>\$ 372,407</u>	<u>\$ 7,698,169</u>	<u>\$ 35,359</u>	<u>\$ 8,112,690</u>		<u>\$ 16,218,625</u>

Pathway Health Corp.
Pro-forma Consolidated Statement of Loss and Comprehensive Loss
For the year ended March 31, 2020
Unaudited

	Colson Capital Corp. Year ended March 31, 2020	The Clinic Network Canada Year ended December 31, 2019	Total Pro-forma Adjustments	Note 3	Pro-forma consolidated
Revenue	\$ -	\$ 6,565,438	\$ 4,633,804 j, k, l, m		\$ 11,199,242
Cost of sales					
Consultants	-	2,906,221	1,123,348 j, k, l		4,029,569
Cost of goods sold	-	916,603	317,985 j, m		1,234,588
Clinic and medical supplies	-	359,167	-		359,167
Total cost of sales	-	4,181,991	1,441,333		5,623,324
Gross margin	-	2,383,447	3,192,471		5,575,918
Selling, general and administrative expenses	38,561	7,771,508	4,686,005 j,k,l,m,p		12,496,074
Loss before other items and income taxes	(38,561)	(5,388,061)	(1,493,534)		(6,920,156)
Other expense/(income)					
Finance expense	-	569,750	(206,418) j, k, o		363,332
Amortization of intangibles	-	32,603	107,506 k, l		140,109
Share-based compensation	-	516,176	466,231 q		982,407
Impairment of intangible assets	-	284,007	(284,007) n		-
Impairment of goodwill	-	419,722	(419,722) n		-
Gain on acquisition of Slawner Ortho	-	(295,100)	295,100 n		-
	-	1,527,158	(41,310)		1,485,848
Loss before income taxes	(38,561)	(6,915,219)	(1,452,224)		(8,406,004)
Income tax (recovery) expense	-	(256,775)	256,775 n		-
Net loss and comprehensive loss	(38,561)	(6,658,444)	(1,708,999)		(8,406,004)
Net loss attributable to:					
Shareholders	(38,561)	(6,578,377)	(1,708,999)		(8,325,937)
Non-controlling interest	-	(80,067)	-		(80,067)
	\$ (38,561)	\$ (6,658,444)	\$ (1,708,999)		\$ (8,406,004)
Basic and diluted loss per share	\$ (0.01)	\$ (2,040.44)			\$ (0.09)
Weighted average common shares outstanding					
Basic and diluted	6,000,000	3,224			92,721,899
Diluted	6,000,000	3,224			92,721,899

Pathway Health Corp.
Pro-forma Consolidated Statement of Loss and Comprehensive Loss
For the nine months ended December 31, 2020
Unaudited

	Colson Capital Corp. Nine months ended December 31, 2020	The Clinic Network Canada Year ended December 31, 2020	Total Pro-forma Adjustments	Note 3	Pro-forma consolidated
Revenue	\$ -	\$ 9,124,458	\$ 275,834	r, s, t, u	\$ 9,400,292
Cost of sales					
Consultants	-	3,248,927	62,105	r, s, t, u	3,311,032
Cost of goods sold	-	614,690	(166,110)	r	448,580
Clinic and medical supplies	-	395,278	(84,320)	r	310,958
Total cost of sales	-	4,258,895	(188,325)		4,070,570
Gross margin	-	4,865,563	464,159		5,329,722
Selling, general and administrative expenses	48,177	7,110,818	485,882	r, s, t, u, w	7,644,877
Loss before other items and income taxes	(48,177)	(2,245,255)	(21,723)		(2,315,155)
Other expense/(income)					
Finance expense	-	5,061,762	(4,799,835)	r, s, t, v	261,927
Amortization of intangibles	-	96,366	15,682	r, s, t, u	112,048
Share-based compensation	-	535,568	362,498	r,s,w	898,066
Fair value of guarantee	-	415,000	(415,000)	v	-
Impairment and disposal of property and equipment	-	86,605	(86,605)	v	-
Impairment of intangible assets	-	1,500	(1,500)	v	-
Impairment of goodwill	-	2,000,699	(2,000,699)	v	-
Gain on remeasurement of contingent liability	-	(40,000)	40,000	v	-
Gain on remeasurement of lease liability	-	(17,518)	17,518	v	-
Government grant	-	(62,746)	62,746	v	-
	-	8,077,236	(6,805,195)		1,272,041
Loss before income taxes	(48,177)	(10,322,491)	6,783,472		(3,587,196)
Income tax (recovery) expense	-	-	-		-
Net loss and comprehensive loss	(48,177)	(10,322,491)	6,783,472		(3,587,196)
Net loss attributable to:					
Shareholders	(48,177)	(10,242,452)	6,767,181		(3,523,448)
Non-controlling interest	-	(80,039)	16,291		(63,748)
	\$ (48,177)	\$ (10,322,491)	\$ 6,783,472		\$ (3,587,196)
Basic and diluted loss per share	\$ (0.01)	\$ (3,176.94)			\$ (0.04)
Weighted average common shares outstanding					
Basic and diluted	6,000,000	3,224			92,721,899
Diluted	6,000,000	3,224			92,721,899

Pathway Health Corp.
Notes to the Pro-forma Consolidated Financial Statements
As at December 31, 2020
Unaudited

Note 1 – Basis of presentation

The accompanying unaudited pro-forma condensed consolidated statements of Colson Capital Corp. ("Colson", or the "Company") have been prepared by management to reflect the acquisition of Pathway Health Corp. ("Pathway") by Colson after giving effect to the proposed transactions described in Notes 2 and 3.

The unaudited pro-forma consolidated financial statements have been prepared for inclusion in the listing statement of the Company in relation to its acquisition of 100% of the issued and outstanding common shares of Pathway from Pathway shareholders by way of a share exchange agreement. Completion of the acquisition is subject to customary closing conditions, including all necessary approvals and consents and all applicable TSX Venture Exchange ("TSX-V") approvals. In the opinion of the Company's management, the unaudited pro-forma consolidated statements include all adjustments necessary for fair presentation of the transactions contemplated in the transactions described in Notes 2 and 3.

These unaudited pro-forma consolidated financial statements have been compiled from and include:

- a) An unaudited pro-forma consolidated statement of financial position as at December 31, 2020 combining:
 - i. The statements of financial position of Colson as at December 31, 2020 derived from the unaudited interim financial statements of Colson;
 - ii. The consolidated statement of financial position of The Clinic Network Canada ("TCNC") as at December 31, 2020 derived from the audited consolidated financial statements of TCNC; and
 - iii. The statements of financial position of Pathway as at December 31, 2020 derived from the audited financial statements of Pathway.

The unaudited pro-forma consolidated statement of financial position gives effect to the proposed transactions (see note 2) as if they had occurred on December 31, 2020.

- b) An unaudited pro-forma consolidated statement of loss and comprehensive loss for the twelve months ended March 31, 2020 combining:
 - i. The statements of loss and comprehensive loss for the year ended March 31, 2020 of Colson which has been derived from the audited financial statements of Colson for the year ended March 31, 2020; and
 - ii. The consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 of TCNC which has been derived from the audited consolidated financial statements of TCNC for the year ended December 31, 2019.

The unaudited pro-forma consolidated statement of loss and comprehensive loss gives effect to the proposed transactions (see Note 2 and note 3) as if they had occurred on April 1, 2019.

Pathway Health Corp.
Notes to the Pro-forma Consolidated Financial Statements
As at September 30, 2020
Unaudited

Note 1 – Basis of presentation (continued)

- c) An unaudited pro-forma consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2020 combining:
 - i. The statements of loss for the nine months ended December 31, 2020 of Colson derived from the unaudited interim financial statement of Colson for the three and nine month periods ended December 31, 2020; and
 - ii. The statements of consolidated loss and comprehensive loss for the year ended December 31, 2020 of TCNC derived from the audited consolidated financial statements of TCNC for the year December 31, 2020.

The unaudited pro-forma consolidated statement of loss and comprehensive loss gives effect to the proposed transactions (see Note 2 and 3) as if they had occurred on April 1, 2020.

The unaudited pro-forma consolidated financial statements have been compiled using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards board (“IASB”), as set out in the audited consolidated financial statements of TCNC for the year ended December 31, 2020.

Amounts presented in these unaudited pro-forma consolidated financial statements and the notes hereto are in Canadian dollars.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the financial statements and notes thereto of Colson, Pathway and TCNC described above. The unaudited pro-forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the continuing entity, Pathway (see Note 2 and 3), which would have actually resulted had the proposed transactions been effected on the dates indicated. The unaudited pro-forma consolidated financial statements are not a forecast or projections of future results. The actual financial position and results of operations of Pathway for any period following December 31, 2020 will likely vary from the amounts set forth in the unaudited pro-forma consolidated financial statements and such variation may be material.

Actual amounts recorded upon consummation of the proposed transaction will be different from those recorded in the unaudited pro-forma consolidated financial statements. No adjustments have been made to reflect additional costs or costs savings that could result from the combination of the operations.

Note 2 – Proposed Transaction

Pathway is a private company, incorporated under the Canadian Business Corporations Act on September 18, 2020. Pathway intends to carry on the primary business of owning and operating medical clinics that offer multidisciplinary therapies to patients that suffer from chronic pain, including pharmaceutical and medicinal cannabis-related therapies. It is a wholly owned subsidiary of Cura-Can Health Corp (“Cura-Can”).

On January 18, 2021, Pathway entered into an asset and share purchase agreement (“Asset and Share Purchase Agreement”) with TCNC, a wholly owned subsidiary of Cura-Can, for the purchase of all or substantially all of the assets of TCNC (“TCNC Assets”). References to the business of Pathway throughout these pro-forma consolidated financial statements also includes the business of TCNC.

Pathway Health Corp.
Notes to the Pro-forma Consolidated Financial Statements
As at September 30, 2020
Unaudited

Note 2 – Proposed Transaction

Colson was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on September 4, 2014. The Company is a Capital Pool Corporation ("CPC"), incorporated for the purposes of identifying and evaluating businesses or assets with a view to completing a qualifying transaction (the "Transaction"). The shares of Colson are currently listed on TSX-V under the trading symbol "COLS.P".

Colson Capital proposes to acquire 100% of the issued and outstanding Pathway common shares from Pathway Shareholders by way of a Share Exchange Agreement. The Transaction is intended to result in a reverse take-over of Colson by Pathway Shareholders, which, upon completion, will constitute a Qualifying Transaction for Colson and the Pathway Shareholders will own the substantial majority of the Resulting Issuer Shares.

Following completion of the Transaction, it is expected that the Resulting Issuer will carry on the business of Pathway. It is anticipated that the Resulting Issuer will change its name from "Colson Capital Corp." to "Pathway Health Corp." The Resulting Issuer's head and registered office will be located at 1500,850-2 Street SW, Calgary, AB T2P 0R8.

On January 29, 2021, Pathway entered into the Share Exchange Agreement ("SEA") with Colson Capital. Pursuant to the SEA and subject to fulfillment of certain conditions precedent, Colson will acquire all of the issued and outstanding Pathway Common Shares, from the Pathway Shareholders, in consideration for \$1.428 million, payable by way of the issuance of aggregate of 2,856,171 Colson Shares at a deemed price of \$0.50 per share. After the completion of the SEA, the shareholders of Pathway will hold approximately 97% of Colson. Accordingly, Pathway is considered to have acquired Colson with the transaction being accounted as a reverse takeover of Colson by Pathway shareholders (the "RTO Transaction").

On March 16, 2021, Pathway completed a private placement in connection with the RTO Transaction. The private placement was completed through a syndicate of agents, led by Canaccord Genuity Corp., and included iA Private Wealth Inc. and Leede Jones Gable Inc. (collectively, the "Agents"). Pursuant to the private placement, Pathway issued 27,600,000 subscription receipts (the "Subscription Receipts") at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$13,800,000. The gross proceeds from the Private Placement, less a portion of the fees and expenses of the Agents (the "Escrowed Funds") have been delivered to the transfer agent. The Escrowed Funds shall be held by the transfer agent until the waiver and/or satisfaction of certain escrow release conditions, including, but not limited to, the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction (other than the release of the Escrowed Funds), the receipt of all shareholder and regulatory approvals required for the Qualifying Transaction and other customary escrow conditions for a transaction of this nature.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for units ("Units") of Pathway, each Unit will be comprised of one Class A share of Pathway (each a "Pathway Share") and one-half of a Pathway Share purchase warrant (each whole Pathway Share purchase warrant, a "Pathway Warrant"). Each Pathway Share and each Pathway Warrant will, in accordance with the Share Exchange Agreement, subsequently be exchanged for one common share of the Resulting Issuer ("Resulting Issuer Shares") and one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). In addition, the Broker Warrants (warrants issued to the Agents as commission for the private placement) will also be exchanged for equivalent instruments of the Resulting Issuer exercisable for Resulting Issuer Shares.

Pathway Health Corp.
Notes to the Pro-forma Consolidated Financial Statements
As at September 30, 2020
Unaudited

Note 3 – Pro-forma Adjustments

Proforma adjustments to the consolidated statement of financial position

The unaudited pro-forma consolidated financial position reflects the following adjustments as if the transactions described in Note 2 had occurred on December 31, 2020:

- a) Cura-Can, entered into a Secured Convertible Promissory Note (“Hew Note”) dated November 5, 2019 for a principal amount of \$1,150,000 with interest accruing at a rate of 10% per annum, compounded monthly. On December 31, 2020, TCNC assumed Cura-Can’s obligations under the Hew Note for principal payments of \$1,150,00 and \$140,687 in accrued interest in exchange for a reduction of TCNC’s amount owing to Cura-Can under an non-interest bearing intercompany payable. The Hew Note was further amended to extend the maturity date to June 30, 2021. The Hew Note is convertible into Common Shares of TCNC at an amount equal to 90% of the market price. The right to convert the principal amount and all accrued but unpaid interest and fees may only be exercised immediately prior to a Liquidation Event, Qualified Financing or Change of Control. The pro-forma assumes the Hew Note is converted at 90% of market price for a total issuance of 2,868,194 Class E preferred share of Pathway with a fair value of \$1,434,097 on December 31, 2020.
- b) In November 2020 – January 2021, TCNC issued unsecured convertible debentures with a face value of \$2,311,000. Of that amount, \$1,540,000 of the debentures were issued prior to December 31, 2020, with the remaining \$771,000 in convertible debentures issued in January 2021. The unsecured convertible debentures mature 12 months from issuance and bear interest at 10% per annum with interest due at the end of the term. The Company has the option to redeem the debentures beginning 12 months after issuance without premium, bonus or penalty. The outstanding principal and interest accrued thereon is assignable and automatically convertible into Pathway shares on the date which is: (i) the closing date of the Asset Acquisition Transaction; (ii) immediately prior to closing of the RTO Transaction; or (iii) by mutual agreement between the holder and Pathway if the Asset Acquisition Transaction is completed but the RTO Transaction has not been completed by March 31, 2021. The conversion price of the debentures is 75% of the price or deemed price of the Pathway shares as established in the Asset Acquisition Transaction. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

The pro-forma reflects the adjustment as if the full \$2,311,000 unsecured convertible debentures were issued and converted on December 31, 2020 for 6,200,512 Class E preferred shares of Pathway. This assumes the conversion of principal of \$2,311,000 and accrued interest of \$14,192.

- c) On January 18, 2021, Pathway entered into an Asset and Share Purchase Agreement with TCNC, for the purchase of all or substantially all of the operating assets of TCNC (the “asset Acquisition Transaction”). The transaction was deemed a business combination under common control and as such the assets were transferred at their net book value with the variance going to equity. The pro-forma made the adjustment as if the transaction occurred December 31, 2020. The deemed consideration payable under the agreement consisted of \$4,855,301 in a non-interest bearing

Pathway Health Corp.
Notes to the Pro-forma Consolidated Financial Statements
As at September 30, 2020
Unaudited

demand promissory note, 10,093,484 Class C preferred shares and 41,545,266 Class D preferred shares, as well as the assumption of certain liabilities.

- d) During the year ended December 31, 2019, TCNC issued \$50,000 and \$100,000 of unsecured convertible debentures, subordinated to senior debt, that mature on August 2021 and October 2021, respectively. These debentures were assigned to Pathway as part of the transaction described in (d). The debentures bear interest at 10% per annum with interest accrued due at the end of the term. Pursuant to the terms of the debentures, Pathway will have the option to satisfy the principal and interest payments through the issuance of common shares. The debentures are convertible at an amount equal to 75% of the price or deemed price of the common shares on a per share basis, as set forth in the definitive documentation signed by the applicable parties in relation to a Qualified Financing or Liquidity Event. The debentures are redeemable at the option of TCNC on or after that date which is 12 months from the closing date and prior to the maturity date at face value plus accrued but unpaid interest upon no more than 60 days' notice and not less than 30 days' notice. The Company has elected to designate the convertible debentures at FVPL on initial recognition and, as such, the embedded conversion feature is not separated and the embedded derivative and host debt are measured at fair value. The fair value of the host debt together with the embedded derivative is calculated at each reporting period by dividing the notional amount of the debt by the estimated conversion price as a percentage of market price and then applying a 15% discount for lack of marketability due to the 4 month hold required after conversion.

The pro-forma reflects the adjustment as if the principal and accrued interest of the debentures were converted on December 31, 2020 prior to the RTO taking place, resulting in 452,886 Class E preferred shares of Pathway being issued for a fair value of \$184,925.

- e) On March 2, 2020, TCNC acquired certain assets from National Access Cannabis Medical ("NACM") for an aggregate purchase price of \$1,200,000, including a convertible note of \$200,000 and a maximum earn-out bonus of \$1,000,000. This convertible note was assigned to Pathway as part of the transaction described in (d). The convertible note matures September 6, 2021 and may be repaid prior to maturity, at Pathway's option, with no premium or penalty. The note is convertible into common shares upon the occurrence of a liquidity event. The conversion price per share is the lower of \$10,856 or the deemed market value. If no such event occurs prior to maturity, the note shall be paid in cash. The pro-forma made the adjustment as if the principal of the convertible note was converted on December 31, 2020 prior to the RTO taking place, resulting in 400,000 Class E preferred shares of Pathway being issued for \$200,000.
- f) On August 31, 2020, TCNC acquired the assets of Nature Medic Inc. ("NMI") for the purchase price of \$400,000, including contingent consideration of \$50,000. Consideration transferred included cash of \$100,000 and an unsecured non-interest bearing 12-month convertible promissory note. This convertible promissory note of \$250,000 and contingent consideration (\$nil value) was assigned to Pathway as part of the transaction described in (d). The convertible promissory note matures at the earliest of: (i) conversion; or (ii) August 31, 2021. NMI can at its sole discretion and upon 30 days written notice, on or prior to the maturity date, convert into common shares of the Company at a 10% discount from the listed share price. The pro-forma reflects the adjustment as if the principal of the convertible promissory note was converted on December 31, 2020 prior to the RTO taking place, resulting in 555,556 Class E preferred shares of Pathway being issued for a fair value \$236,111.
- g) The pro-forma reflects the adjustment as if the Subscription Offering of gross proceeds of \$13,800,000 was completed on December 31, 2020. The Subscription Offering consisted of

Pathway Health Corp.
Notes to the Pro-forma Consolidated Financial Statements
As at September 30, 2020
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subscription receipts of Pathway at a price of \$0.50 per Subscription Receipt. Each Subscription Receipt will automatically convert, upon the satisfaction of certain conditions, without additional payment, into one unit of Pathway. Each Unit shall consist of one Pathway Share and one half of one Pathway Warrant. Each Pathway Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the escrow release date at an exercise price of \$0.75 per Pathway Warrant. The Agents will be paid a Cash Commission of 8% of the aggregate gross proceeds as well as non-transferable Broker Warrants equal to 8% of the Subscription Receipts sold. Each Broker Warrant shall be exercisable to acquire one Pathway Share for a period of 24 months from the Escrow Release Date at the at an exercise price of \$0.50 per Broker Warrant. In addition, the Agents will receive a corporate finance fee of \$150,000 (of which half is to be paid in common shares).

The gross proceeds have been segregated into their common share and warrant components based on their relative fair values of \$12,266,697 and \$1,533,303. The common shares and warrant values are shown net of their transaction costs of \$1,654,083 and \$206,756 respectively. The fair value of the warrants, \$0.11 per warrant, was based on a Black-Scholes model using the following variables: an expected life of 2 years; a risk free rate of 0.20%; a volatility rate of 63.14%; and an exercise price of \$0.75. The fair value of the broker warrants, \$0.17 per warrant, was based on a Black-Scholes model using the following variables: an expected life of 2 years; a risk free rate of 0.20%; a volatility rate of 63.14%; and an exercise price of \$0.50. In total 27,750,000 common shares and 15,896,228 warrants were issued.

From the proceeds of issuance, Pathway will extinguish the \$4,855,301 non-interest-bearing promissory note described in (c).

- h) Colson Capital proposes to acquire 100% of the issued and outstanding common shares of Pathway from Pathway Shareholders by way of a Share Exchange Agreement. Since the Company's operations do not constitute a business, the Transaction has been accounted for in accordance with IFRS 2 – Share-based Payment, which results in the following:
- Pathway is deemed to be the acquirer and the Company is deemed to be the acquiree for accounting purposes.
 - The assets and liabilities of the Company are included in the unaudited pro-forma statements and are presented at their fair value. The pre-acquisition equity of the Company will be eliminated upon consolidation, which includes its share capital of \$517,593, contributed surplus of \$121,255 and accumulated deficit of \$275,381.
 - The purchase price is recorded as the cost to acquire the share capital at the fair value at the time of the transaction. The excess of the amount paid over the fair value of the assets is charged to listing expense (\$1,064,533).

As of the date of this statement, there were (a) 8,400,000 Colson Shares, (b) 840,000 Colson options, (c) 51,643,710 Pathway Shares outstanding. Prior to closing of the Transaction, Colson intends to consolidate the Colson Shares on an approximately 1:2.941 basis, resulting in 2,856,000 post-consolidated Colson Shares. Colson will acquire all of the issued and outstanding Pathway Common Shares, from the Pathway Shareholders, in consideration for \$1,428,171, payable by way of the issuance of aggregate of 2,856,000 Colson Shares at a deemed price of \$0.50 per share. After the completion of the SEA, the shareholders of Pathway will hold approximately 97% of Colson. Accordingly, Pathway is considered to have acquired Colson with the transaction being accounted as a reverse takeover of Colson by Pathway shareholders (the "RTO").

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- i) The resulting issuer will issue 4,200,000 replacement options to certain members of management who previously held options in Cura-Can. The fair value of the options has been estimated at the assumed date of issue, December 31, 2020, using the Black-Scholes pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 82.09%; (iii) risk-free interest rate of 0.39%; (iv) expected life of 5 years; (v) share price of \$0.50; forfeiture rate of nil. Volatility was estimated based on historical volatility of comparable companies. The options had a fair value of \$0.32 per option and are expected to vest over three years. Of the options issued, 1,500,000 are expected to vest immediately, resulting in an expense recognition of \$483,561.

Pro-forma adjustments to the consolidated statement of loss and comprehensive loss for the twelve months ended March 31, 2020:

The unaudited pro-forma consolidated statement of loss and comprehensive loss for the year ended March 31, 2020 reflects the following adjustments as if the transactions described in Note 2 had occurred on April 1, 2019:

- j) On November 24, 2020, TCNC purchased specific assets of Natural Health Services Ltd. ("NHS"), a wholly owned subsidiary of Cura-Can in exchange for a non-interest-bearing demand promissory note for an amount equal to \$215,330. The transaction was deemed a business combination under common control and as such the assets were transferred at their net book value. The assets transferred included a physicians list, computer equipment, one lease and investment in a subsidiary which had software.

The adjustment is to record increase in revenue and expenses for the year ended March 31, 2020 to reflect management's best estimate of additional revenue and expenses in relation to the acquisition of NHS described above as if it happened on April 1, 2019.

- k) To record increase in revenue and expenses for the year ended March 31, 2020 to reflect management's best estimate of additional revenue and expenses in relation to the acquisition of NMI described in (f) as if it happened on April 1, 2019.
- l) On June 26, 2020, TCNC acquired additional assets and operations from National Access Canada Corporation ("NACC" and its sole shareholder, Meta Growth Corp. ("Meta"), for the aggregate purchase price of \$800,000, including cash of \$500,000 and a maximum earn-out bonus of \$300,000. The earn-out bonus of up to \$300,000 is determined based on performance in the first 12 months after closing and payable in common shares, if TCNC's shares are listed on a public exchange within 12 months of closing, or cash. The contingent earn-out bonus was determined to be a liability and as such was measured at fair value on the date of acquisition and is revalued at each reporting date with any changes recognized at fair value through profit or loss until settled. On acquisition, the fair value of the contingent consideration was determined to be \$210,000.

To record increase in revenue and expenses for the year ended March 31, 2020 to reflect management's best estimate of additional revenue and expenses in relation to the acquisition of NACC described above and the acquisition of NACM in (e) as if it happened on April 1, 2019.

- m) On March 11, 2019, TCNC incorporated a new entity (9393 1681 Quebec Inc. – "Slawner Ortho") and purchased certain assets and assumed certain liabilities of the insolvent J. Slawner Ortho from the court appointed receiver. The adjust is to record an increase in revenue and expenses for the year ended March 31, 2020, to reflect management's best estimate of additional revenue and expenses for a full year.

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- n) To record the reversal of impairment of intangible assets, impairment of goodwill, gain on the acquisition on Slawner Ortho and income tax (recovery), as they are not expected to re-occur.
- o) To record the reversal of interest expense on credit facilities, convertible debentures and loan payables that are not expected to re-occur.
- p) To record management's estimate of additional payroll expenses to be incurred as a result of the additional employees hired to support the business.
- q) The resulting issuer will issue 4,200,000 replacement options to certain members of management who previously held options in Cura-Can. The fair value of the options has been estimated at the assumed date of issue, April 1, 2019, using the Black-Scholes pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 74.21%; (iii) risk-free interest rate of 1.60%; (iv) expected life of 5 years; (v) share price of \$0.50; forfeiture rate of nil. Volatility was estimated based on historical volatility of comparable companies. The options had a fair value of \$0.30 per option and are expected to vest over three years, with 1,500,000 options vesting immediately.

Pro-forma adjustments to the consolidated statements of loss and comprehensive loss for the nine months ended December 31, 2020:

The unaudited pro-forma consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2020 reflects the following adjustments as if the transactions described in Note 2 had occurred on April 1, 2020:

- r) To record the reversal of the TCNC revenues and expenses related to the three months ended March 31, 2020 in order to show expenses for the nine months ended December 31, 2020 from the consolidated financial statements of TCNC for the year ended December 31, 2020.
- s) To record the increase in revenue and expenses for the nine months ended December 31, 2020 to reflect management's best estimate of additional revenue and expenses in relation to the acquisition of NHS described in (j) as if it happened on April 1, 2020.
- t) To record the increase in revenue and expenses for the nine months ended December 31, 2020 to reflect management's best estimate of additional revenue and expenses in relation to the acquisition of NMI described in (f) as if it happened on April 1, 2020.
- u) To record the increase in revenue and expenses for the nine months ended December 31, 2020 to reflect management's best estimate of additional revenue and expenses in relation to the acquisition of NACC and NACM described in (l) as if it happened on April 1, 2020.
- v) To record the reversal of debt forgiveness, impairments on intangible assets, goodwill and property and equipment, interest expense on credit facilities, convertible debentures and loan payables, gains on remeasurement of contingent liability and lease liabilities and government grants that are not expected to re-occur.
- w) To record management's estimate of additional payroll expenses to be incurred as a result of the additional employees hired to support the business.
- x) The resulting issuer will issue 4,200,000 replacement options to certain members of management who previously held options in Cura-Can. The fair value of the options has been estimated at the

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assumed date of issue, April 1, 2020, using the Black-Scholes pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 82.09%; (iii) risk-free interest rate of 0.39%; (iv) expected life of 5 years; (v) share price of \$0.50; forfeiture rate of nil. Volatility was estimated based on historical volatility of comparable companies. The options had a fair value of \$0.32 per option and are expected to vest over three years, with 1,500,000 vesting immediately.

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Note 4 – Pro-forma Share Capital

After giving effect to the pro-forma adjustments and assumptions in notes 2 and 3, the issued and fully paid share capital of the Company would be as follows at December 31, 2020:

		Capital Stock		Stock options			Warrants		Deficit (\$)	Non-Controlling Interest (\$)	Total Equity (\$)
		Shares (#)	Value (\$)	Options (#)	Value (\$)	Contributed surplus (Other) (\$)	Warrant (#)	Value (\$)			
Shareholders' equity of Colson Capital Corp as at December 31, 2020	Note 3	8,400,000	\$ 517,593	840,000	77,355	-	-	43,900	\$ (275,381)	\$ -	\$ 363,467
Shareholders' deficiency of TCNC as at December 31, 2020		3,224	675,000	3,000,000	1,051,744	(264,175)	-	-	(20,109,482)	125,916	(18,520,997)
Shareholders' deficiency of Pathway as at December 31, 2020		1	1	-	-	-	-	-	(374,506)	-	(374,505)
Hew Note conversion	a	2,868,194	1,434,097	-	-	-	-	-	-	-	1,434,097
Unsecured convertible debentures (2020)	b	6,200,512	2,635,217	-	-	-	-	-	(257,045)	-	2,378,172
Elimination of TCNC balance due to Asset and Share Purchase Agreement with Pathway	c	(3,224)	(675,000)	(3,000,000)	(1,051,744)	264,175	-	-	20,109,482	(125,916)	18,520,997
Conversion of convertible debenture	d	51,638,750	25,454,349	-	-	(31,147,973)	-	-	-	-	(5,693,624)
Conversion of convertible debenture	e	452,886	184,925	-	-	-	-	-	-	-	184,925
Conversion of NACM convertible note	f	400,000	200,000	-	-	-	-	-	-	-	200,000
Conversion of NMI convertible promissory note	g	555,556	236,111	-	-	-	-	-	-	-	236,111
Subscription offering	h	27,750,000	10,687,613	-	-	-	15,896,228	1,689,273	-	-	12,376,886
Reverse Take Over Transaction with Colson Capital Corp.	i	(8,400,000)	(517,593)	(840,000)	(77,355)	-	-	(43,900)	275,381	-	(363,467)
Reissue of stock options		2,856,000	1,428,000	-	-	-	-	-	(1,064,533)	-	363,467
		-	-	4,200,000	483,561	-	-	-	(483,561)	-	-
		92,721,899	\$ 42,260,313	4,200,000	\$ 483,561	\$ (31,147,973)	15,896,228	\$ 1,689,273	\$ (2,179,645)	\$ -	\$ 11,105,529

ACKNOWLEDGEMENT – PERSONAL INFORMATION

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the attached Filing Statement that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of Form 3B2 of the TSXV, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the TSXV pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the TSXV for the purposes described in Appendix 6B Form 3B2 or as otherwise identified by the TSXV, from time to time.

PATHWAY HEALTH CORP.

COLSON CAPITAL CORP.

Per: “Ken Yoon”
Ken Yoon
Chief Executive Officer

Per: “Michael Doyle”
Michael Doyle
Chief Executive Officer

CERTIFICATE OF COLSON CAPITAL CORP.

May 31, 2021

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Colson Capital Corp. assuming completion of the Qualifying Transaction.

“Michael Doyle”

Michael Doyle
Chief Executive Officer

“Murray Moore”

Murray Moore
Chief Financial Officer

On behalf of the Board of Directors of Colson Capital Corp.

“Michael Kahn”

Michael Kahn
Director

“Kyle Detwiler”

Kyle Detwiler
Director

CERTIFICATE OF PATHWAY HEALTH CORP.

May 31, 2021

The foregoing document, as it relates to Pathway Health Corp., constitutes full, true and plain disclosure of all material facts relating to the securities of Pathway Health Corp.

“Ken Yoon”

Ken Yoon
Chief Executive Officer

“Aura Balboa”

Aura Balboa
Chief Financial Officer

On behalf of the Board of Directors of Pathway Health Corp.

“Michael Steele”

Michael Steele
Director

“Kenneth Howling”

Kenneth Howling
Director